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NEWS SUMMARY

GENERAL

Jobless trend continues upwards

Unemployment continued its upward trend this month, although the headline total, including school leavers, fell back below 3m. Employment figures give little reassurance that the underlying rate of increase in unemployment has moderated in the past few months. However, it is much less than it was at the peak near the end of 1980. The fall of 38,000 in the unadjusted total to 2.97m jobless was less than the usual seasonal decrease at this time of year. The seasonally adjusted figures rose by 22,000 to 2.87m. Back Page

Syria jets downed

Israel's aircraft shot down two Syrian MiG fighters over Beirut after the Syrians intercepted them on a reconnaissance over the Lebanon. Page 6

Gulf states wait

Gulf states are waiting to see what moves Iraq makes next after its military successes against Iraq, which has admitted evacuating the port of Kharramshahr. Page 6

Afghan offensive

Soviet and Afghan government troops began an offensive against a rebel stronghold in the Panjshir Valley, north of Kabul.

Ripper ruling

The Appeal Court refused Yorkshire Ripper Peter Sutcliffe's appeal against his murder convictions.

Nupe suspension

Leaders of the National Union of Public Employees suspended its last year's president from holding union office for two years after allegations that his conduct brought it into disrepute. Page 15

Rates rebate

Ratepayers in Scotland's Lothian region are to get a 14 per cent rebate from their Conservative controlled council but bus fares, school meals and meals on wheels will cost more.

School fire deaths

At least 10 died and 12 were missing after a fire that may have been started deliberately swept through a handicapped children's school in Air-sur-Éadour, France.

Air escape for 100

More than 100 survived when a Brazilian Boeing 737 broke in half on landing at Brasília airport in heavy rain. Two were killed and 20 injured.

Magazines seized

West German police removed thousands of copies of a left-wing newspaper from newsstands because of an article describing President Karl Carstens as a fascist.

Space supplies

An unmanned Soviet space ship docked with orbiting station Salyut-7 to deliver fuel, scientific equipment and mail for the two cosmonauts.

Early breakfast

The Independent Broadcasting Authority decided to bring forward by two or three months the starting date of ITV's breakfast-time service TV-AM, previously set at next May.

Briefly

Grandmother, 75, from Colombia was jailed for three years in Los Angeles for smuggling cocaine into the U.S.
Two peregrine falcons and two goshawks worth £2,000 were stolen from a Stoke-on-Trent aviary.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:	Noble & Lund	19 + 8
Adams & Gibson	Phoenix Assurance	238 + 10
American	Redland	170 + 4
Bowthorpe	Reed Int.	310 + 6
British Aerospace	Sunrise	49 + 4
Cable & Wireless	Tate & Lyle	194 + 4
Cater Allen	United Scientific	385 + 10
Common Brothers	Wolverhampton	217 + 9
Copdex	Dudley	250 + 8
Eagle Star	Candecia	175 + 8
GEC	Carlisle Capital	114 + 10
Globe	Jackson Explan	110 + 12
Glaxo	Marinex	110 + 12
Grand Met	Shell Transport	432 + 6
Huntleigh	FALLS:	
Minet	AE	45 - 4
Muirhead	Sotheby's	315 - 15

UK is ready to use UN veto over Falklands ceasefire calls

BY PETER RIDDELL, POLITICAL EDITOR

THE British Government is prepared to use its veto at the United Nations Security Council, to block any proposal for a ceasefire in the Falklands conflict which does not involve a full withdrawal of Argentine troops. Mrs Thatcher made this clear in the Commons yesterday when she also ruled out any talks about the future of the islands until the Argentines had left. "To call for a ceasefire when Argentine troops remain in occupation, would leave the whole paraphernalia of tyranny in place," she said. She was speaking as Sr Nicanor Costa Mendez, Argentine Foreign Minister, urged the UN Security Council to call for an end to the hostilities and a resumption of negotiations. The Prime Minister's comments underline the Government's view that a new phase in the dispute has started since the landings on the islands last Friday, with a renewed emphasis on the importance of the islanders' wishes, and references to "discussions not negotiation."

Mrs Thatcher also hinted that the Government was considering whether an attractive option might be to grant the islands independence backed by an international guarantee as a longer-term solution, which would answer any charges of colonialism and weaken Argentina's long-term position internationally. "There is something of an expectation in Westminster as MPs await the outcome of the fighting in the Falklands. It is, however, clear while opposition leaders support the

landing and hope for a quick outcome, they will press for the reopening of negotiations if possible. Mr Michael Foot the Labour leader repeatedly pressed Mrs Thatcher yesterday during Prime Minister's questions to say whether the Government was prepared to keep open the possibilities of negotiations in order to save lives. He referred to the comments of Mr Francis Pym the Foreign Secretary last Thursday about the Govern-

Task force alert for big attack

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

THE British task-force was put on the alert yesterday for a big counter-attack which Argentine forces had been expected to make against Britain's Falkland Island-bridgehead to mark their country's National Day. The day opened quietly, with the Ministry of Defence in London reporting a lull. But, early yesterday evening, the Ministry announced that Royal Navy ships in the Falkland Sound, between the two main islands and providing access to the British bridgehead at Port San Carlos on East Falkland, had again been attacked by Argentine aircraft.

Harriers involved in the attack had been shot down. The expectation of new military activity was heightened yesterday when State Department officials in Washington reported "great military

activity" in the Falklands area—a report which went unconfirmed in London. However, it was suggested yesterday in Whitehall that Mr John Nott, the Defence Secretary, might make a major announcement in the Commons where he was due to answer defence questions. In the event, he categorically denied Argentine claims that the liner Camberra, which is now troop transport, had been damaged. Mr Nott also said that two British support ships—believed to be the 5,600-ton Royal Fleet

Wind Force 7-8 (30-35 knots); 12-15ft seas. Cloudy, rain developing, reduced visibility. Temp. mid-40s F. OUTLOOK: Wind W Force 6-7 (25-30 knots), Cloudy with showers. Cooler.

Whitehall would not say how far British troops had gone as they pushed out from the San Carlos bridgehead, but the sources noted that the force had to unload "a phenomenal amount of kit" in its effort to "equip its soldiers to fight ashore for as long as it takes" to repossess the islands. Britain's ships and aircraft with the task force remained committed to Nato during their deployment in the South Atlantic, Mr Peter Baker, a Defence Minister, said on Monday, but added that they were "generally at a lower level of availability."

Haig believes Britain has upper hand

Mr Alexander Haig, the U.S. Secretary of State, believes Britain has the upper hand in the battle for the Falklands and could be moving to an early victory, Reginald Dale writes from Washington.

"The British would appear to be in a position militarily to bring it to an early conclusion." Pentagon officials said that, if the British tally of downed Argentine aircraft was correct, another all-out attack on the British fleet, with the same heavy losses that had been sustained in the past few days, might be the last that the Argentines could mount.

Citibank cuts prime rate to 16%

By Christopher Parkes in New York

CITIBANK, one of the two biggest banks in the U.S., yesterday cut its prime lending rate by half a percentage point to 16 per cent. This was the first reduction since March 8, in the rate at which top banks lend to their best customers. Bankers said the move, which has been widely expected, reflected the recent drop in short-term interest rates. Other banks, however, were slow to follow suit, and by mid-afternoon no other major bank had done so. Mr Michael Callen, senior vice-president of Citibank, forecast however, that if short-term interest rates stayed where they were, "the others will be with us soon."

State Department officials confirmed reports by leading Republican congressmen that Mr Haig had given this assessment at a White House briefing attended by President Ronald Reagan yesterday. They said Mr Haig, a former Nato supreme commander, believed that Britain should be "vigorous in battle and magnanimous in victory."

Officials confirmed that the special ministerial meeting of the 30 nation Organisation of American States will reconvene in Washington tomorrow morning. Argentina, which called the meeting, wants it to consider "further measures" against Britain, ranging from diplomatic and economic sanctions to military support for Buenos Aires.

Grand Met launches rights issue

BY RAY MAUGHAN

Grand Metropolitan, the hotels, brewing and leisure group headed by Sir Maxwell Joseph, yesterday launched the largest rights issue seen in the London stock market since British Petroleum raised £625m in June last year.

He was "60 to 70 per cent certain" that prime rates would continue to drift downwards, although he also expected some "hiccoughs" in July. Continued on Back Page Money Markets, Page 49

rights in the City so far in 1982 to £483m and, with the exception of BP's financing, is the largest fund-raising of its type since Consolidated Goldfields called for £181m in November 1980. Grand Metropolitan pointed out yesterday that while its interim profits for the year to March 31 last had grown by a tenth to £74.5m, interest payments had increased from £45.9m to £71.5m. Mr Michael Orr, the group's finance director, said that the group had regarded its debt levels as acceptable and, since Grand Met's mainstream activities produced substantial cash flows and the balance sheet was underpinned by marketable property assets, it could withstand a higher level of borrowing than might be deemed appropriate by other companies.

However, capital spending is running at an annual rate in excess of £200m and it had "become apparent in recent months that the board would need to adopt an over-selective approach to new investment proposals in order to achieve worthwhile reductions in borrowings." Mr Orr added that "if capital spending were set to tail off, then no new funding would be required."

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EUROPEAN NEWS

West Germany fears French may quit EMS

BY JONATHAN CARR IN BONN

A WITHDRAWAL of the French franc from the European Monetary System (EMS) by the end of this year is regarded by the West German Government as a real, if regrettable, possibility.

Both developments would be deplored by Bonn which, with Paris, was mainly responsible for bringing the EMS into being in 1979.

Government officials here note not only the large sums being devoted by the Banque de France to help support the franc, but also the discouraging fundamental economic data.

Officials express admiration for the policy aim of M Jacques Delors, the French Economics and Finance Minister, and recognise that he is personally in favour of the EMS.

However, it is also recognised that M Delors has strong opponents within the French

Vatican confirms Pope's visit to Britain

By Rupert Cornwell in Rome

THE VATICAN yesterday announced officially that Pope John Paul will go ahead with his six-day pastoral visit to Britain, due to start on Friday.

The historic trip, the first by a reigning Pontiff to Britain since Henry VIII's schism with Rome in the sixteenth century, was confirmed with the publication by the Holy See of details of the Pope's programme.

Until the last moment his journey had been cast into doubt by the continuing conflict between Britain and Argentina over the Falkland Islands.

He will, however, meet the Queen, in her capacity as head of the Anglican Church, and the Royal family, for 40 minutes on Friday afternoon.

His call at Buckingham Palace will come hours after Mass at Westminster Cathedral.

The Pope will hold further Masses at Coventry, Liverpool and Manchester, before leaving for two days in Scotland.

That the trip is going ahead is a measure of the Pope's determination to carry through his visit with its ecumenical significance.

Despite the intensification of the fighting in the South Atlantic, the probability that he would go had increased notably in the last few days.

One factor had been the strong pressures on him from the British Catholic community, as well as a personal plea from Dr Robert Runcie, the Archbishop of Canterbury.

Another has been the acceptance of the Argentine church, after strong initial opposition.

The Pope has intimated his readiness to pay a similar visit to Argentina, perhaps within the next two months, to show that he is taking no sides on the Falklands issue.

His neutrality, and insistence on an end to fighting was emphasised in the identical letters he despatched last week to Mrs Margaret Thatcher, the British Prime Minister, and General Galtieri, the Argentine President.

BUDGET DEAL BRINGS BREATHING SPACE IN 'POISONOUS ARGUMENT'

Britain and EEC partners declare a truce

BY JOHN WYLES IN BRUSSELS

"A HEAD OF STATE and Government told me recently that we shall not be able to solve the Community's major problems before one minute to midnight," said M Gaston Thorn, president of the European Commission yesterday.

He was reflecting on the outcome of negotiations which actually drew to a weary close at 2.45 am yesterday morning with agreements which signal a truce in the extremely damaging confrontation of the last 10 days between Britain and its EEC partners.

Mr Francis Pym, the UK Foreign Secretary, and his colleagues at the British Foreign Office, are bound to make the most of the "success" of the negotiations by EEC Foreign Ministers during what may be an uncomfortable debate for the Government in the House of Commons today.

Great stress will be laid on the fact that six EEC partners have agreed:

To an indefinite ban on imports from Argentina which two others, Italy and Ireland, will not apply but will not undermine;

That Britain has now won an acceptable rebate of £476m to offset its total anticipated contributions of £857m to the EEC budget this year.

That other Governments look ready to give assurances over the next few weeks that the majority secure price vote was an aberration which leaves intact a member Government's right to veto agreements which run against its important national interests.

These are all valuable gains which appear to have stopped the Community's crisis clock at one minute to midnight.

Community solidarity with Britain over the Falklands has been reaffirmed.

The budget deal, meanwhile, is based on an undertaking to negotiate a longer term arrangement for the UK before the end of November and imposes an interval on what one senior British Minister has called a "poisonous argument" which has been dragging on for months and months.

Perhaps most important, this interval allows London to give its undivided attention to resolving its greatest overseas crisis of the last 26 years.

The Falklands conflict has been a constant thread running through Britain's difficulties in the EEC over the past few weeks.

Several governments were encouraged to disregard the British veto on farm prices last week because they saw it as an ungenerous response to speedy adoption of the ban on Argentine imports in mid-April.

Once this lever was snatched from the UK, London had the choice of either escalating the EEC dispute by withholding parts of its payments to the Community budget or of opting for a period of calm in Europe by snatching the best short-term budget arrangement it could get.

This is what Mr Pym did early yesterday morning, but in the process he was forced to compromise to an extent unacceptable two months ago when British confidence was still built on the threat of the farm price veto.

He was forced to bend a hard-line from West Germany which remained almost totally inflexible down to the last lap of the negotiations.

This transformed the nature of the budget dispute, whose poles of difference have tradi-

tionally been Britain and France. In the spring of 1980, it was France which first relented with an offer of special rebates to the UK, and it was Germany which reluctantly picked up the tab for the May, 1980, agreement guaranteeing Britain rebates of 2,585bn European Currency Units (£1.4bn) in 1980 and 1981.

When it shouldered the responsibility for financing 36 per cent of these rebates, Bonn made it clear that while it was willing to be the largest single contributor to the Community budget, other special burdens of this kind would have to be more fairly shared by France, the Benelux and Denmark.

Anxious to find more money for job creation out of a public budget already above target, West Germany decided on a rebate it could afford for the UK in 1982 and then dug in its heels to any further increase.

Once Mr Pym had indicated in early May that Britain would

take a third year under the May, 1980, deal and negotiate later on a longer term arrangement, Bonn fixed its "bottom line" for the UK at ECU 800m (£448m). It remained true to this through negotiations on Monday night, adding, for good measure, that it would pay ECU 140m towards this rebate instead of the ECU 250m it would normally pay.

This is an important factor in judging Mr Pym's concessions.

In a paper produced last Tuesday he argued that a rebate in line with May, 1980, agreement would be ECU 1,008bn (£564bn), substantially less than ECU 1,320bn (£720m) the ECU 250m it would normally pay.

On Monday night, Herr Hans Dietrich Genscher remained unmoved as he did his colleagues who knew any further concessions would be at their expense.

Their reluctance to accept this forced Mr Pym into settling for a rebate of ECU

850m which was only unlocked at 2.30 am after Herr Genscher had secured Bonn's agreement to raising Germany's cheque share to the UK from ECU 140m to ECU 153m.

West German inflexibility is one reason why M Thorn and others suggested yesterday that Mr Pym could have secured an identical agreement nine days ago in Luxembourg and, thus, avoided the humiliation over farm prices.

British officials indignantly reject this and claim that Monday's achievement lies in raising the offer from ECU 850m to ECU 850m, in removing from a Thorn compromise any reference to a fixed net contribution by the UK (which could theoretically reduce the size of the rebate) and in securing a "risk sharing" agreement which partly protects the UK against a higher net contribution this year than is forecast by the Commission.

But the firmest indication of the extent of UK concessions is Mr Pym's public stress on the need to see this year's rebate in the light of the unintended benefits gained by the UK under the 1980 agreement.

Britain has, in fact, paid around £330m less into the EEC budget in 1980 and 1981 than was envisaged. With the 1982 solution, about 78 per cent of its payments will have been reimbursed while the intention in 1980 had been 66 per cent.

Until this week British officials have insisted that the happy outcome in 1980 and 1981 was an accident of history which partly reflected the negotiating incompetence of its partners, who, for their part, have been increasingly determined to force Britain to acknowledge its financial windfall in any 1982 solution.

France plans further domestic borrowing

BY DAVID WHITE IN PARIS

THE French Government is to make its second domestic borrowing of the year next month with a further loan of Ffr 10bn (£838m).

The loan, to be floated on June 9, is to help finance a budget deficit which is officially projected at Ffr 95.5bn.

The eight-year bonds are to carry a fixed interest rate of 16 per cent, and not a floating rate as the Finance Ministry was originally believed to have been considering.

However, in line with the recent easing of rates on the money market, the coupon is below the 16.2 per cent attached to a similar Ffr 10bn issue in January.

The last loan was rather less enthusiastically received than the Mitterrand Government's highly popular first issue last September, which carried a 16.75 per cent coupon and was pushed up to a total of Ffr 15bn from an originally planned figure of Ffr 8bn.

But bond dealers expect the new issue to go down well with the traditional institutional clients for state loans such as pension funds, as well as with the public.

The Government, which has been waiting for its moment to announce a new borrowing before the summer holidays, has profited from a recent revival of both the primary and secondary bond markets.

Malta to tighten controls on foreigners' activities

BY GODFREY GRIMA IN VALETTA

THE Maltese Government is intending to introduce controls on a wide range of activities by foreigners in the islands.

The Bill aimed at controlling "foreign activities that may amount to interference in Maltese affairs," has been roundly condemned by the opposition as unconstitutional and running counter to the provisions of the Helsinki accords.

The Bill, which Mr Dom Mintoff's Government hopes to pass into law in September, does not affect commercial, industrial, diplomatic or sporting activities, nor those normally expected of visitors, such as tourists.

However, it does bar activities that may constitute an interference in local affairs and the Government's foreign policy. It also prohibits participation by foreigners in activities which may give one political party an advantage over another.

Heavy fines and imprisonment in certain cases are prescribed for offenders.

In its present form the Bill leaves many questions

unanswered. It is not clear, for example, whether the Government intends to restrict the activities of visiting foreign journalists. Nor is it certain whether it intends to stamp out completely the practice—common during electoral campaigns—for foreign politicians to appear on platforms with local political parties.

The proposed legislation also makes it illegal for Maltese to participate in foreign radio and television programmes intended to be received primarily in Malta.

This means that the opposition Nationalist Party, which polled 4,000 votes more but won three parliamentary seats less than Mr Mintoff's ruling Labour Party at the last election, will be unable to continue using television stations in Sicily.

The party has been broadcasting from Sicily because it claims that Malta's state-run broadcasting stations are biased towards the Government.

The Nationalists accuse the Government of trying to bring down an "iron curtain" around Malta.

Walter Ellis in Amsterdam reviews the implications of coalition Government's collapse

Political vacuum threatens Dutch economy

A FURTIVE look has crept over the normally open face atop the Netherlands' body politic.

The recent collapse of the ruling Centre-Left Coalition has meant that MPs are once more in the market for partners, and deals done in corners are by no means excluded.

The prize is power, but the responsibility is greater: how to draw the Netherlands back from the brink of economic decline.

With unemployment over 10 per cent of the labour force—and with even the biggest companies facing difficult trading conditions, Dutch bankers and businessmen are anxious that the political vacuum should be filled as quickly as possible.

They were gloomy about the country's economic prospects even before the crisis, but now they fear that the absence of direction from the top could turn a chronic difficulty into something worse.

Bankruptcies and closures have been on the increase over the last 12 months and the profit trend is downwards.

Companies, though, have sought to exercise control and are anxious to prevent their carefully structured retreat from being turned into a rout.

Analysts in Amsterdam are not convinced that an economic armageddon need be at hand, but they do sense a growing unease and a belief that only a strong government, not deterred by short-term political expediency, can turn the country around and restore the traditional pattern of growth.

There are other factors at work. The world recession will make its presence felt in the Netherlands no matter who is in charge, and natural gas, once exhausted, cannot be restored.

Nevertheless, while the talk among the workers is of the growing length of the dole queues, conversation in the board rooms continues to turn on which political leader can be relied upon to call a halt to big-spending policies.

AN INTERIM Dutch Government, headed by Mr Dries van Agt (right), is expected to be announced today, writes Walter Ellis. As expected, it will comprise the Christian Democrat and Democrat 86 parties in a minority administration, which probably will remain in office only until a general election in the autumn.

The Netherlands has been without an effective Government for a fortnight, and difficulties are understood to remain not merely about economic strategy but over the timing of an election. Mr van Agt's Christian Democrats want to postpone polling day until his new administration has introduced

the budget in September. Democrats 66 prefer an election as soon as possible fought on the terms of rival proposed budgets.

Mr Joop den Uyl, leader of the Labour Party, whose angry withdrawal from the previous, three-party coalition over proposed spending cuts precipitated an election before the budget and has some support from the opposition Liberals.

Queen Beatrix will be well aware of the delicate nature of agreements reached between her feuding politicians. Acting, however, on the advice of her "informateur," Mr Piet Steenkamp, she seems bound to go ahead

remains a member of the nine-man presidency council. The current plan is for a reduction in Yugoslavia's hard currency current account deficit which was \$1.4bn last year, to zero in 1983.

But Mr Kraigher, who has been chairing a high-level commission on the country's future economic course, now considers

the deficit might be eliminated this year, ahead of schedule. The reasoning behind this is that the January-April trade deficit this year was \$790m less than in the same period of 1981, even though exports, and particularly imports, were well below planned levels.

This has been, in effect, a "forced" improvement, because Western banks and official credit

agencies have been reluctant to advance export credit to Yugoslavia and, thus, imports are down. For this reason, this year's trade deficit could end up less than \$4bn compared to the \$5.3bn level originally projected. With its traditional surplus on invisible trade, Yugoslavia might then show an overall surplus on its current account.

As present, a rig moving to a job in another country's waters must be inspected by that country's authorities and perhaps slightly modified to meet their standards.

The conference proposed rules to cover 15 different aspects of rig safety: for example, anchoring stability and rescue equipment.

Owners could obtain from any of the nine countries a certificate subject by all. This would mean less work for certifying authorities and save time and cut costs for rig operators.

An official of the Norwegian Maritime Directorate believed the rules would increase safety by incorporating the best of each country's requirements— "a kind of highest common denominator" of safety.

Norway, which tightened its safety rules for all types of floating rigs after the loss of the hotel platform "Alexander Kielland," is keen to see international standards raised.

Norwegian rig owners, however, have expressed concern that the tough rules with which they must comply could make their rigs uncompetitive in parts of the world where governments are less safety-conscious.

The nine countries represented at the Oslo conference—the third of its kind—were Norway, Britain, Ireland, France, the Netherlands, West Germany, Denmark, Sweden and Belgium. They have been meeting periodically since 1973 to discuss offshore safety but consultation between officials on the subject is more or less continuous.

Norway's Oil Directorate, meanwhile, has warned that personnel shortages last year prevented it from fulfilling properly its task of supervising safety offshore.

Dutch army criticised by Nato chief

THE HAGUE — the Supreme Commander of Nato forces in Europe has criticised the quality of the Dutch army and said the Netherlands should double the number of troops it has stationed in West Germany.

General Bernard Rogers of the U.S. told a meeting of Dutch reserve officers yesterday that he was concerned at the strength of Dutch units which would come under his command in a crisis. Their standard of training fell far below desirable levels, he added.

He said the Netherlands should station an additional brigade in a forward position in West Germany to supplement the 5,500-strong brigade it already has there. —Reuters



Walter Ellis, former British ambassador to the Netherlands, is seen here in Amsterdam.

Labour, for its part, would probably be reduced in size and, in opposition, could well be forced by the Government out to the extremes of its policies.

In this, it would have the support of large sections of the trade union movement—thus, perhaps, paving the way for widespread industrial confrontation.

Industry wants the van Agt cuts, but they do not want massive union discontent, such as that which has brought much of Rotterdam Harbour to a standstill in recent weeks. How much unemployment and how much unrest can be borne while the recovery is engineered is the judgment that shortly will have to be made.

Export Finance advertisement for HYPOBANK, featuring a crown logo and text: 'Increase your profitability by utilizing our highly specialized and flexible export finance services...' and 'Modern Banking in the finest Royal Tradition.'

Handwritten signature or note at the bottom right of the page.

Handwritten note in a box: *الجزيرة*

Banks' controls questioned after Drysdale default

BY DAVID LASCELLES IN NEW YORK

MR. ANTHONY SOLOMON, president of the New York Federal Reserve Bank, yesterday questioned the quality of controls at Chase Manhattan and other banks involved in last week's Drysdale government securities affair, and said he thought they should be improved. Mr. Solomon also said an investigation was under way to determine exactly what happened. He doubted, however, that more trading firms were about to default as Drysdale did last week, and he advised Congressional lawmakers against assuming that more regulations would avert a repeat of the problem.

Mr. Solomon's remarks, made at Senate hearings which opened here yesterday into the causes and impact of Drysdale's failure to pay several hundred million dollars of interest on borrowed securities, marked the first public response of U.S. banking officials to the crisis. But he and officials from the U.S. Treasury and the Securities and Exchange Commission who also appeared yesterday, emphasised that Drysdale's financial position was so complicated that it might be some time before all the facts were known.

Mr. Solomon, whose bank closely supervises the Government's securities market, said Drysdale's problems arose "because its activities were conducted on a scale out of all proportion to its capital."

Drysdale held positions in market worth billions of dollars, he said, though the firm's capital base was of the order of \$200 million.

"Drysdale apparently failed to contain its risk and left itself exposed to moves in interest rates," he said.

As for the involvement of the banks, which helped Drysdale

assemble the bonds necessary to take up its position, Mr. Solomon said there were still some legal issues to be resolved as to who was liable for Drysdale's debts. But he added, "without taking a position on a legal matter which might be tested in the courts, it does seem that the banks could improve their control procedures."

Apart from Chase Manhattan, two other banks—Manufacturers Hanover and U.S. Trust Company—were involved with Drysdale, though on a much smaller scale. Chase has said that its after-tax losses could amount to \$155m, roughly the equivalent to one quarter's earnings.

Mr. Solomon told the hearings: "It would be premature at this time to consider rule-making. No member of the public had lost money because of the crisis, he said, and the financial markets had stood up so encouragingly well. He also said that the crisis had forced U.S. banks and dealers to take a good hard look at their trading partners, and if this had thrown up any new Drysdale-type problems, he was sure he would have heard about them.

However, Wall Street was conducting its own investigation into the affair, and he hoped this would prompt dealers to improve their techniques and close the loopholes that Drysdale was able to exploit.

The regulatory authorities would also be investigating last week's events, he said, but he doubted at this stage that new laws or regulations were needed.

Formalised regulation could well add to the costs and impede liquidity in this highly efficient market where the Treasury finances its debt and the Fed conducts monetary policy," he said.

Compromise plan for solving Essequibo dispute

BY KIM FUAD IN CARACAS

VENEZUELA'S CLAIM to two-thirds of neighbouring Guyana's territory could be resolved through a compromise agreement under which the 50,000 square miles disputed zone would be split between the two nations, Venezuela's leading opposition party said yesterday.

Senator Gonzalo Barrios, president of the "Accion Democratica" Party, said Venezuela should seek a peaceful and practical solution to the claim to the so-called Guyana Essequibo area, which Venezuela has claimed since the last century.

On June 18 a 12-year freezing of the claim ends. Venezuela and Guyana are expected to open negotiations under a mixed border commission,

which includes Britain, established in 1966.

Dr Barrios flatly rejected calls by ultra-nationalists to use force to recover the disputed area from Guyana.

"They seem to forget that it is a sovereign, recognised country and that Venezuelan aggression would certainly bring about a juridical, diplomatic and economic reaction with an outcome that would not favour us," he said.

"Venezuela bases its claims on the assertion that an 1899 international arbitration of the dispute, which gave the then British colony of Guyana the area, was flawed and consequently not now valid. Latin America and Falklands dispute, Page 4

Rise in salary sweeteners lures executives abroad

BY RICHARD LAMBERT IN NEW YORK

BIG U.S. companies are increasingly having to sweeten the pay cheques of executives working overseas in an effort to make foreign service more attractive. The reason, according to a study published today by the Conference Board, is that foreign service has become far less attractive than it used to be for most Americans.

"The steady rise of anti-Americanism has eroded the psychic compensation, while reduced purchasing power of the dollar, magnified abroad, plus inflation at home has just about removed the financial advantages," the study claims.

The analysis is based on 123 large companies with combined sales exceeding \$7bn (£3.8bn), all of which have large international interests. Compared with a similar study made in 1972, it shows a significant increase in the proportion of companies paying special allowances to their expatriate employees. When all the items are added together, including transportation and vacation allowances, the whole lot can come to two to three times a U.S. employee's equivalent salary.

The study analysed the different elements of the expatriate's pay package under several headings:

- The foreign service premium. This is a relic of the days when foreign service meant real hardship, as well as total isolation from the nearest and dearest. All the same, 74 per cent of the companies surveyed still include this premium in their pay plans, and 89 per cent also make separate hardship allowances.
- Cost of living allowances. Offered by 97 per cent of the companies in the study, this turns out to be one of the hardest items to work out to everyone's satisfaction. More than three-quarters of the companies hire outside consultants to help them arrive at an answer, but there are still lots of complaints.
- Housing. The vast majority of companies (94 per cent) have adopted a housing assistance plan. These come in many different shapes. Some employers pay the full rent and utilities, others defray the notional extra rent; still others provide company-owned housing.
- Income tax protection. This is provided by 96 per cent of companies in the survey. Thanks to the Economic Recovery Tax Act of 1981, the tax burden on many U.S. expatriates (or their employers) will be substantially reduced. But many will remain on the U.S. tax books, and all will be subject to highly progressive foreign taxes.
- Other fringe benefits. Almost all the companies extend performance bonuses to their expatriate employees, mainly in the form of current cash income.

Compensating Foreign Service Personnel. The Conference Board, 845 Third Avenue, New York, New York 10022.

Investment insurance agency proposed

By Anatole Kaletsky in Washington

A NEW international investment insurance agency was yesterday proposed by Mr A. W. Clausen, president of the World Bank.

Mr Clausen also said the World Bank may participate in syndicated commercial credits to developing countries as part of a "new era of partnership" between the World Bank and the international commercial banking community.

Mr Clausen, speaking at the international monetary conference in Vancouver, said commercial banks could simultaneously increase their profits and strengthen the international financial system by combining their vested interests with those of the developing countries and the World Bank.

Specifically, he proposed a major increase in co-financing, in which commercial banks join in the financing of World Bank projects. He argued that private banks enjoyed added security by committing their funds to co-financing with the World Bank because of its proven track record in developing successful projects and because of its unique relationship with developing countries.

The World Bank has never rescheduled or faced a default on a single loan, he pointed out. Certain banks, including Amsterdam-Rotterdam Bank, and supervisory authorities, including the Bank of England and the U.S. Treasury, had recognised this by treating co-financed loans as a separate category when assessing exposure to country risk.

Mr Clausen said the World Bank was evaluating "a broad array" of co-financing techniques, including syndicated loan participation. The bank's board would probably approve some of these in the next few weeks.

Mr Clausen will also present to the board the idea of a multilateral investment insurance scheme in the next few months. It is understood that this would work with private insurance companies and national export credit organisations, such as Britain's Export Credits Guarantee Department, to insure private investors in developing countries against country risks, including nationalisation.

In addition, the World Bank intends to expand the International Finance Corporation, a bank affiliate, which lends to and invests directly in private sector ventures in developing countries.

Even in the poorest developing countries of sub-Saharan Africa, \$100m (£55.5m) of IFC investments had mobilised \$600m of other private funds, Mr Clausen said.

Anatole Kaletsky in Washington looks at U.S. policy in the Middle East

Haig to boost talks on Palestinian autonomy

HAVING CUT his teeth on the abortive Falklands talks, Mr Alexander Haig, the U.S. Secretary of State, is now preparing to bite into a dispute so tough that it will make the Falklands crisis seem like a blanchmange. Mr Haig is expected to make a major statement on the Middle East in Chicago today with the central aim of injecting new life into the talks between Israel and Egypt on Palestinian autonomy. These, he believes, still hold out the best, and probably the only, hope for creating last stability in this vitally important part of the world.

Jordan regards the Camp David accords "in their original wording" as a partial basis for re-establishing the "middle ground" in the Middle East and defusing the Israeli-Arab conflict. Crown Prince Hassan of Jordan said yesterday in Washington after meeting Mr Alexander Haig. He said there had been a real achievement for the Camp David process in

Israel's withdrawal from the Sinai. The question for moderate Arab opinion was not whether to accept or reject Camp David but how to build on its achievements

observers outside the Administration believe that the fundamental differences of principle which could undermine any chance of agreement remain as wide as ever before, if not wider.

On the question of the West Bank and Gaza, the Israeli Government has given no real indication that it regards its control as strictly temporary. There is also the vexed question of how Palestinian autonomy should be defined.



Sadat, Carter and Begin at signing of peace treaty

Mr Haig is expected to address himself to the Palestinian problem partly because the Reagan Administration has been accused of lacking a coherent policy on the Middle East and this is an omission it can no longer afford.

There are at least three serious crises in the Middle East at present: the Iran-Iraq war, the precarious ceasefire on the Israeli-Lebanese border and the Palestinian unrest on the West Bank of the Jordan.

The Administration now seems to agree with most observers in Europe that the Arab-Israeli conflict is at the heart of the Middle East's most intractable problems. Mr Haig believes that the only key which could conceivably fasten this Pandora's box of troubles is the one fashioned in 1978 at Camp David by Egypt's then President, Anwar Sadat, Israel's Prime Minister Mr Menachem Begin and President Jimmy Carter.

The Camp David accords covered three basic issues: recognition of Israel by Egypt, Israel's withdrawal from occupied Egyptian territory, and negotiations on temporary autonomy for the Palestinians on the occupied West Bank and Gaza Strip. Establishment of autonomy would be followed, after five years, by permanent

agreement on sovereignty over the occupied territories.

The Sinai handover, Mr Haig said on Sunday, was an event of major significance. "With that behind us, the time has come to turn to the other aspects of Camp David. I believe we are now ready to get moving (on the autonomy question)."

President Reagan is due to hold talks with Mr Begin next month and Mr Haig has been meeting this week with Mr Ariel Sharon, the Israeli Defence Minister. The first obstacle President Reagan will have to overcome will be Mr Begin's insistence that some of the talks be held in Jerusalem, a city which the new Egyptian President, Mr Hosni Mubarak, refuses even implicitly to recognise as Israel's capital.

But this will be the least of the U.S. Administration's problems in persuading not only Israel and Egypt, but eventually other Middle Eastern countries as well, to take the autonomy talks seriously. Without some form of participation eventually by other countries, particularly Jordan, and now by representatives of the Palestinians, any agreement reached between Egypt and Israel "cannot make much sense," a senior State Department official concedes.

He says, however, that there has been good progress on several substantive issues in recent bilateral meetings, in which U.S. officials have talked separately to Israel and Egypt. The U.S. approach has been to concentrate on specific, practical issues, avoiding generalisations which could raise controversial matters of principle.

This method has produced some measure of agreement on the powers of a self-governing Palestinian authority, the method of election to the authority, the composition and control of security forces in the occupied areas, and water rights—a very important issue since much of the water from the occupied areas is now diverted for use within the pre-1967 boundaries of Israel.

If the time comes to start fitting together the narrow, practical elements of an agreement, however, it is all too likely that the picture revealed by the jigsaw would prove offensive to one side or other, if not to both. For the fact is that

agreement on sovereignty over the occupied territories.

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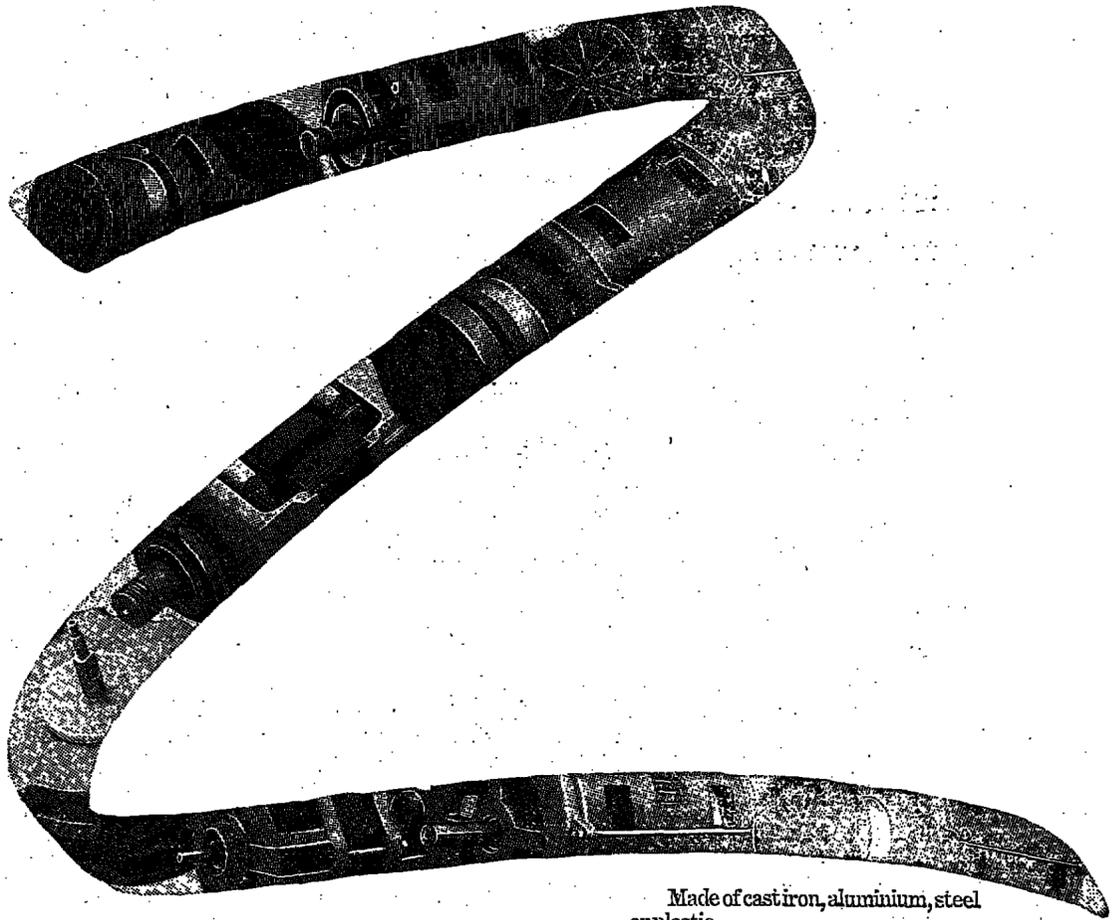
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THE FALKLANDS CRISIS

Moscow unlikely to offer arms aid

By Anthony Robinson in Moscow

THE SOVIET UNION is most unlikely to respond positively to any Argentine request for military equipment to help stave off military defeat over the Falkland Islands, and there is no evidence that any such request has been made, Western diplomats believe.

Asked to comment on reports from Buenos Aires that Argentina might be willing to accept Soviet military aid, diplomats said: "There has been no hint that the Soviet Union is playing that game or intends to."

This reflects the general view in Moscow that the Soviet Union is content to reap political dividends from the crisis without entering into an involvement which could lead it into direct conflict with the U.S.

Thus far the Soviet Union has taken a strongly anti-British and anti-U.S. line over the Falklands and coupled this with general expressions of support for Latin America, the Third World at large, and the Argentine people.

At no stage, however, has it endorsed the Galtieri regime and might indeed be embarrassed if the right-wing military regime made an open request for Soviet arms.

There is also considerable scepticism among diplomats about the likelihood of Argentina even making such a request, which would imply a fundamental change in Argentine foreign policy and the need for a lengthy training period in Soviet military equipment.

It is also considered unlikely that Argentina would call upon the Soviet Union's main Latin American ally, Cuba, for military assistance, even within a wider framework of general Latin American solidarity with an Argentina in distress.

The Soviet news agency Tass, however, did report yesterday on Argentina's note of thanks to Cuba for its support in the dispute with Britain and also reported a warning by Sr Amadeo Frugoli, the Argentine Minister of Defence, that other countries might be drawn into hostilities and that the crisis might be internationalised.

East bloc reacts with caution

By Leslie Collett in Berlin

EAST EUROPEAN Governments appear reluctant to follow the Soviet Union in a wholesale condemnation of Britain as the aggressor in the Falklands conflict. While the Soviet media stepped up its attacks after British forces landed on the Falklands, most East European countries have reported the conflict in a more balanced manner.

East Germany has been unusually reticent in its reporting. The Government news agency ADN has issued a daily military report, first from London and then from Buenos Aires, which appears in that order the following day in the front page of the main Communist newspaper, Neues Deutschland.

Unlike the Russians, the East Germans did not even use the word "Malvinas" in parenthesis after Falklands to conform with Argentina's claim. ADN, which normally echoes every Soviet attack on the West, has failed to do so with two recent attacks on Britain by Tass, the Soviet news agency and Pravda, the Soviet Party newspaper.

East Europeans in East Berlin believe East Germany's reluctance to comment directly on the conflict shows it does not wish to be seen in the eyes of its citizens as a bedfellow of the Argentine military regime.

The official Polish media have called the Falklands a left-over of colonial rule and have noted that Argentina was justified in invading the islands. But the bulk of Polish media coverage is factual and without commentary. Polish correspondents note that the authorities in Warsaw are immensely relieved that for the time being, world attention is not focused on Poland.

The Czechoslovak Communist Party newspaper, Rude Pravo, has printed a reply to readers' queries about why the Socialist countries had failed to condemn Argentina's military dictatorship.

The newspaper said they were opposed to right-wing dictatorships, but one had to distinguish between a dictatorship within a country and the foreign policy of the Warsaw Pact countries.

Relatives' inquiries

The Ministry of Defence has released the following telephone numbers for use by relatives inquiring about casualties: Plymouth 0752 (Plymouth) 660666, Chatham 0634 (Medway) 512771, Rosyth 0353 (Inverkeithing) 412191, Faslane 0436 (Helensburgh) 71125, Portland 0305 (Portland) 821547, Portsmouth 0705 (Portsmouth) 755212. Royal Marines: Portsmouth 0705 (Portsmouth) 756121, Plymouth 9732 (Plymouth) 667777.

RAF: 01 (London) 218 9000. Army: 01-409 7639, 01-409 7647, 01-409 7372.

Hugh O'Shaughnessy describes the current mood of heart-searching in Buenos Aires

Argentine concern at closer Moscow links

THERE WAS much heart-searching in Buenos Aires on Monday, when the government-inclined newspaper, La Nacion, said the junta was ready to receive military help from the Soviet Union.

A spokesman at the Palacio San Martin, the mock-Louis XVI Hotel which houses the Foreign Ministry in tree-shaded Plaza San Martin, was quick to back up the story or even reinforce it.

Argentina certainly could not stand by in isolation, the argument went, while her forces were beaten by British forces backed by the U.S., cheered on by Nato and supported by New Zealand.

A senior naval officer, asked about the real possibility of a conservative and bitterly anti-Communist country such as Argentina getting arms from Moscow, replied: "We would rather die with our boots on and our mouths open than take Moscow aid."

"It would be totally against our ideological principles, as you rightly infer."

When he saw the front-page article in La Nacion, which he had not read earlier, he was clearly and genuinely astounded and did not speak for a few minutes.

As British pressure increases on the Argentine in the Falk-

lands and the possibility of a British victory becomes hourly less unthinkable, Argentine foreign policy is having to assume increasingly perilous contortions in order to try to stave off the disaster which the Galtieri Government, from April 22, has assured its public would never happen.

The very fact that some sectors of government are suggesting a pact with Moscow is a measure of the deep depression about the course of the war that some senior junta figures must be feeling and which is just beginning to trickle down to some members of the public.

The fact is that Argentina could have no other diplomatic or military option than a rapprochement with the Communist bloc in the Falklands adventure.

For all the great verbal support for Argentina's cause in the Falklands that Sr Nicorico Costa Mendez, the Foreign Minister, has won from Latin America, it is clear that no Latin American country has the military resources to turn the war round for Argentina.

It is also increasingly clear that few Latin American countries would seriously think of sending troops, even if asked.

Peru's generals have offered aid but this offer was effectively



Gen. Galtieri trying to stave off disaster

withdrawn at the weekend by President Belaunde Terry who said that Peru could not allow its own defences to drop. He was doubtless thinking of his own country's border disputes with Ecuador in the north and Chile in the south.

Venezuela, Argentina's other vociferous supporter, has an army which has been bloodied in occasional skirmishes with guerrillas in the tropical jungle and savannahs, but it is comparatively small and unused

to fighting in the Antarctic conditions of the Falklands.

Having said all this, it must be emphasised that there is still no clear sign that the Soviet Union would be prepared to give the junta any more military help than satellite intelligence reports—or that any more concrete aid, if it were eventually offered, would arrive in time to make any difference to the present round of fighting.

Indeed, all the noises coming out of Moscow currently, indicate an extreme reluctance on the part of the Soviets to give military aid.

The contortions of Argentine foreign policy begin in Buenos Aires, for it is clear that for many Argentines, officers and civilians alike, any military rapprochement with the Kremlin would be totally unacceptable.

For every super-nationalist in the Foreign Ministry and the armed forces willing to accept Soviet aid, there are five or 10 ordinary soldiers or conservative church-going Catholics who would rise up at the thought of a Western Christian government such as Gen Galtieri's has always claimed to be, making a pact with the Soviet anti-Christs of the Western Hemisphere.

The Foreign Ministry appears to have made several gross political miscalculations which are now costing the country dear.

The naval officer put it most plainly when he said: "We have four enemies facing us—Nato, the EEC, the U.S. and Britain, in descending order of importance."

Argentina has harboured unrealistically optimistic hopes that Washington would, out of a sense of hemispheric solidarity, side with Buenos Aires in the Falklands dispute, or at worst maintain an even-handed policy.

An over-valuation of the strategic importance to the West of the South Atlantic and the Falklands themselves, prompted perhaps by a series of visits to Buenos Aires by U.S. naval officers eager to push the idea of a South Atlantic pact, has led to bitter disappointment.

Argentina's cup of bitterness came close to overflowing on Monday with the decision of the majority of the EEC to continue economic sanctions. Much of Argentina's long-range economic planning has been based on the explicit argument that European industry and business were eager to set up in Argentina.

Latin America starts to consider the consequences

BY ANDREW WHITLEY

THE FALKLANDS crisis, notably because of the speed with which it developed, its intensity and, above all, its unexpectedness, has clearly had a profound effect on the two Governments and peoples at war.

The failure of the 1947 Inter-American treaty of mutual assistance, otherwise known as the Rio Treaty, to provide more than moral support for Argentina is also apparent. The pact, a U.S.-inspired precursor of its better-known counterparts such as the North Atlantic Treaty Organisation, is unlikely to survive.

Up and down the continent, U.S. diplomats are wringing their hands over the "cataclysmic" effect of the Falklands conflict on their Latin American relations.

"The Haig shuttle mission was a disaster," one unhappy diplomat commented, examining the ruins of the Reagan Administration's attempts to

make up for the damage done to long-standing regional friendships during the Carter era.

Unresolved border disputes abound in South America. Venezuela's claim to over half of Guyana, Colombia's dispute with Venezuela, Peru's with Ecuador, and Chile's with Argentina over the Beagle Channel could all be inflamed once again.

If Argentina is seen to succeed in its trial of arms with Britain over the Falklands, there are widespread fears that others will take the cue.

Brazil's proudest foreign policy achievement of recent years is that it has, one by one, peacefully resolved virtually all its own border disputes.

Even gave up our claim to part of Guyana," a Brazilian diplomat pointed out in reference to the Venezuelan claim. The only remaining, minor problem, with Paraguay, will be settled later this year when the disputed area is flooded under the

waters of the Ikaipu dam. Privately Brazil's senior officials are furious with Argentina for having flouted the peaceful resolution of disputes principle so blatantly.

"What makes it worse is that they can't voice their feelings openly," a Western ambassador said, "because they don't want to destroy the rapprochement of the past two years."

After decades of undisputed rivalry and mutual dislike, President Joao Figueiredo has made considerable efforts to establish a good working relationship between the two countries.

Torn between its new ties with Argentina and a good, uncomplicated relationship with Britain, Brazil is doing its best to offend neither party.

The crisis has forced on Brazil a long overdue evaluation of its traditional low profile in foreign policy. As the world's eighth largest economic power, Brazil has until now lived

comfortably with its image abroad as "an economic giant but political dwarf."

As West Germany used to be labelled "The drachens of this passive role in world and regional affairs have been made all too apparent by the Falklands crisis when Brazil found itself caught off guard and unable to influence the drift towards all-out conflict."

This crisis can put in motion a whole chain of events, President Figueiredo told the visiting West German President, Herr Karl Carstens, a few days after Argentina invaded.

For Brazil and many other South American nations used to spending only a small proportion of Government funds on arms, the one certainty is that defence spending will soar.

Brazil only spends \$12.50 a year, per capita, on defence at the moment compared with the Pentagon's \$800 a year. Disillusionment over U.S. reliability at times of crisis has

Aluminium a potential hazard in warships

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE OPPOSITION of official naval designers to use of aluminium in UK warships has been strongly reinforced by the loss of two Type 21 frigates in the Falklands conflict.

Since the last of these Amazon class vessels was commissioned in 1978, naval ships have not used aluminium for superstructures because of its low melting-point. The Type 21s were designated by private shipyards.

"Our policy is not to use aluminium for structural purposes," a Ministry of Defence official said. But even with a steel superstructure, he said, HMS Ardent and HMS Antelope would have been put out of action.

Eight Amazon class frigates were built—three by Vosper Thornycroft and five by Yarrows, both of whom are specialised British shipbuilders. The Type 21 successor ships have very little aluminium.

Naval designers at the MoD establishment in Bath were not in favour of putting light aluminium tops on the Type 21 frigates. Its use was dictated by the way in which its lightness allowed more weapons to be installed.

The other six Type 21s are the Amazon itself, the Active, Ambuscade, Arrow, Alacrity and Avenger. They were the first custom-built, gas-turbine frigates and the first UK warships designed by commercial companies for many years, according to Jane's Fighting Ships.

S. Africa denies supply of spare parts to junta

BY J. D. F. JONES IN JOHANNESBURG

THE South African Government has belatedly denied that it is the source of any missiles or Mirage military aircraft spare parts supplied to Argentina.

General Magnus Malan, Minister of Defence, in a special statement in Parliament late on Monday, said that he would breach the Government's normal policy of not revealing details of arms shipments because South Africa was being drawn into the conflict as a result of Press reports.

"South Africa has not supplied or sold Argentina any missiles or any Mirage spare parts before or since the Falklands dispute," he said. He later added that no such supplies could have been passed to Argentina via intermediaries.

But aluminium is not the only potential hazard of modern warship construction. The use of gas turbines and special fuels, extensive electrical networks, and wide corridors for machinery access can also cause problems.

The new fuel has a lower flashpoint than that previously used and spillages can be more dangerous. The corridors—built wide for machinery replacement in order to save on repair time—can cause fires to spread more rapidly.

The MoD does not accept that wider gangways are a hazard, however, pointing out that they can make fire-fighting easier. But it does agree with the arguments on fuel.

Aluminium's melting point of 660 deg. C—much lower than steel—has been shown to be a danger in previous fires. In one incident in harbour a few years ago, the aluminium ladders melted, and made fire-fighting more difficult.

As part of the defence cuts, the government plans to close HMS Phoenix, the shore-based damage-control school at Portsmouth, and give sailors the same training at sea. Some outside experts feel the MoD might reconsider this.

The ferocity with which fires raged through the two frigates and HMS Sheffield, a destroyer with far less aluminium, shows the importance of fire-fighting training and techniques to the Navy, especially as many modern materials such as plastics are highly inflammable.

The number have not been disclosed, but it is believed that the Task Force now has between 50 and 100 helicopters of varying kinds—the big Sea King anti-submarine warfare aircraft, the Lynx anti-submarine aircraft mounted on the frigates and destroyers, Wessex assault helicopters with the assault ships Fearless and Intrepid, and tiny Gazelles for communications duties.

Many of these aircraft are "doubling up" for various duties. Sea Kings which are not

immediately employed in defending the QE-2, Canberra, Invincible and Hermes against submarines are being used for

of conventionally powered but potent Argentine submarines. Without absolute security against submarine attack, the

The Ministry of Defence has admitted the loss of seven large helicopters and two small ones. The losses include five Sea Kings and two Wessex. The greatest loss of

life occurred when a Sea King carrying 30 men crashed while transferring from ship to ship in bad weather in advance of the main assault on the Falklands on May 21. Nine men were rescued but 21 were lost.

The Sea Kings have their own anti-submarine warfare detection devices, and their own torpedoes. When the record books come to be written, it is likely that the pilots of the Sea King force will be seen to have flown more in the past few weeks than they normally do in a full year at home.

The use of Wessex helicopters as gun-ships, to assist assault forces as they move ashore, and to help them consolidate afterwards, has long been part of the amphibious forces' training. They are now proving their worth over the beachhead at Port San Carlos.

Task Force could not do its work—anti-submarine warfare is as vital as anti-aircraft defence—and the Sea Kings must keep up their role night and day.

Pilots of the Sea King squadrons are flying as much as 12 hours a day, in weather they

transport of supplies and troops to the bridgehead, Wessex and Lynx helicopters are being used as gun-ships, as are the Gazelles.

It is the Sea Kings, however, which have the main task of defending the Task Force at sea against the small number

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Argentine troops on helicopter patrol—an official picture from the junta's news agency.

Revolution celebration is subdued

By Jimmy Burns in Buenos Aires

ARGENTINA yesterday marked the 172nd anniversary of its "May Revolution"—in 1810 Argentines declared their independence from Imperial Spain after local forces had managed to beat off two attempts at occupation by British troops.

Just a few weeks ago, the occasion would have been a joyous affair, but yesterday's "celebration" was subdued.

The Junta announced a public holiday but the only official function of any note was a solemn Te Deum in the Metropolitan Cathedral.

A crowd of not more than a few hundred turned up with their flags and stockings, clapped warmly, and shouted "Argentina, Argentina" as President Galtieri and the two other members of the Junta attended the service in May Square.

The crowd was generally less numerous and less excited than previous rallies, although generally, it looked less solemn than the line of VIPs that preceded Argentina's top military leaders. Guests included the entire Cabinet, the U.S. Ambassador, and the robed patriarchs of the local Orthodox church.

It should have been a day to celebrate victory, but the curt warning statement from the joint Chiefs of Staff was notable as much for what it said as for what it left unsaid.

The communiqué admitted that some 2,000 British troops had managed to establish a firm beachhead near San Carlos Bay and that the Task Force was managing to get through supplies and reinforcements.

It did not say that the Argentines had launched a successful counter-offensive or that they had the situation under control, or, as occurred in 1807, that the British troops had been swept back into the water.

With all this being communicated officially, the goings-on in the Plaza had an even more unreal quality about them than usual—as if the celebrants had chosen the wrong day. Old ladies handed out leaflets with the words "Malvinas recovered" but was instead distributing cartoon post-cards like hot cakes: one showed a naked Mrs Thatcher riding towards the Falklands on a broomstick.

A more humorous touch was offered by a flag-seller who feared no buyers for his flags but was instead distributing cartoon post-cards like hot cakes: one showed a naked Mrs Thatcher riding towards the Falklands on a broomstick.

Out of the loudspeakers stationed strategically round the Plaza boomed the first- and-brimstone sermon of the Cathedral Chaplain, Mgr Raul Omar Rosi. "A small portion of the world is scandalised," he was telling his eminent congregation, "and has put sanctions on us for having dared to recover, at the price of our own blood, something which was ours, is ours and always will be ours, and which has to be defended."

Around the capital, life was like a Sunday—banks, schools, government offices and most shops remained firmly closed. Beneath the crisp autumn sun, holidaygoers gathered on park benches, some of them noting that names, if nothing else, had changed on the anniversary.

Plaza Britannia, site of the miniature Big Ben clock tower donated to Argentina by the British in 1914, was now Plaza Fuera Aires, Argentina, as ordered by municipal decree. The decree stated that the main change was in honour of "the brilliant action of the Argentine Air Force in its defence of national sovereignty."

Argentines 'half-starved'

PORT SAN CARLOS—Argentine soldiers who defended this settlement until British forces stormed ashore last Friday were courteous to the local families, but were half-starved, the islanders said, yesterday.

They said they used to give the Argentines soup or bread before the soldiers fed in the face of the British assault.

Astiz transferred to Britain

BY ANDREW WHITLEY

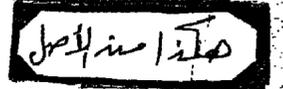
ALFREDO ASTIZ, the Argentine lieutenant-commander who Sweden and France want to interrogate about the suspected murder of their nationals, is on his way to Britain from Ascension Island.

He is being brought to Britain in defiance of Argentina's request channelled through the

Brazilian embassy that he be sent home. All the other 183 Argentines captured on South Georgia on April 25 have been repatriated.

Argentina has formally rejected requests from Britain, on behalf of Sweden and France, that Commander Astiz be questioned over the death of a

Swedish girl in 1977 and the disappearance of two French nuns at about the same time. The Foreign Office in London said yesterday that Commander Astiz is refusing to answer questions on the grounds that he should be treated as any other prisoner of war under the terms of the Geneva Convention.



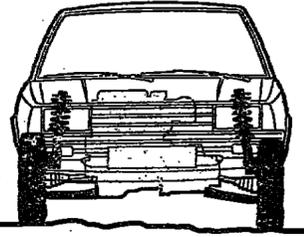


DATSUN PRESENT THE NEW NISSAN SUNNY

The new Sunny is here — totally redesigned with new 1.3 and 1.5 litre, lightweight transverse engines, front wheel drive, fully independent suspension, rack and pinion steering, greatly increased interior and luggage space and even higher standards of luxury. It offers remarkable fuel consumption figures, which are the best in its class, and is priced extremely competitively to maintain Datsun's reputation for value for money.

Transversely mounted, 1.3 or 1.5 litre front-wheel drive engine.

The new Sunny features the outstanding new Datsun overhead camshaft engine, a very compact, lightweight unit, some 45lbs lighter than its predecessor but giving MORE power and MUCH MORE economy! This new engine gives better acceleration at low and medium speeds, more pulling power and up to a 30% improvement in fuel economy! And, because the engine is now transversely mounted, driving the front wheels, it provides for far more room inside the car.



Fully independent suspension.

The new Sunny's fully independent suspension has been designed and developed to complement the change to front-wheel drive and employs all Nissan's rally-winning expertise—seven times winners of the East African Safari Rally! Struts and coil springs all round combine with a new dual shock

absorbing system to give the smooth quiet ride of a large executive saloon, at the same time setting new standards of roadholding for this class of car.

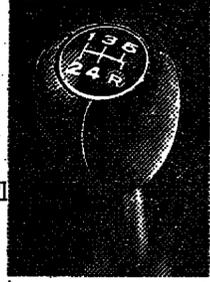
Better fuel economy than ever before.

NEW SUNNY 1.5DX 4-door £4136-	58.9mpg
Renault 9TL 1.4 4-door £4649-	52.3mpg
Ford Escort 1.3L 5-door 5spd £4891-	52.3mpg
Volvo 343DL 1.4 3-door £4641-	42.2mpg
VW Jetta CL 1.3 4-door £4550-	40.9mpg

The Sunny is rightly renowned for exceptional fuel economy. Now the new Sunny quite literally goes even further; its efficient new engine and smooth wind cheating shape combining to give the 1.5 4-door saloon the best fuel consumption figures in its class—58.9mpg at 56mph.

Overdrive gearbox for relaxed economical cruising.

The new Sunny offers as standard on all manual transmission models, a newly developed overdrive gearbox for maximum performance and fuel economy. A 4-speed gearbox is fitted to the 2-door saloon—5-speed transmission comes as standard on the 4-door saloons, coupé and estates.



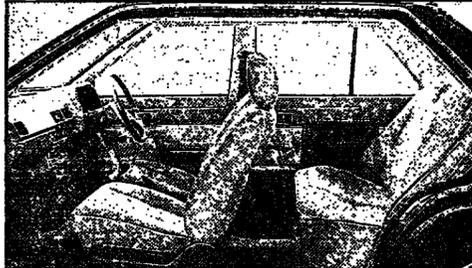
Sophisticated styling to beat Europe's best.

The new Sunny's styling produces a drag coefficient of just 0.4—one of the lowest in its

class. A lowered waistline and considerably increased glass area give a full 306° of all round visibility for better, safer driving. Exterior fittings and mouldings are styled to the same high standards, contributing to an exceptional elegance of line throughout the four attractive body options—2- and 4-door saloons, a 3-door coupé and 5-door estate models.

Greatly increased interior space.

The new Sunny's transversely mounted engine allows for more effective use of the car's interior space—the passenger compartment is now a full 6½" longer than the previous Sunny. A new streamlined dashboard design and improved, redesigned seating contribute to a much more spacious interior, providing extra comfort for all the family.

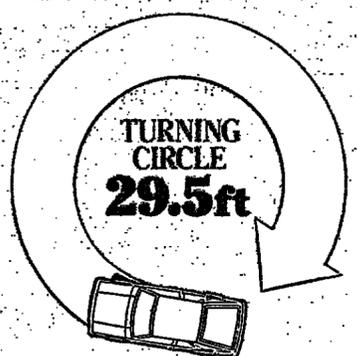


Split rear seats on the estates fold down individually to give extra luggage space, and wider and longer door openings on all models make entry and exit much easier. As a further bonus, the new Sunny saloon's boot space has also been substantially increased to a family sized 11.3 cubic feet.

Improvements in all other important areas.

There are many more technical innovations and refinements built into the new Sunny including newly designed front-disc brakes, light, responsive rack and pinion steering, a complete panel and underbody anti-corrosion course, plastic wheel arch

liners all round, redesigned door sealing and improved engine insulation for reduced wind and road noise, a new fast-flow heating and ventilation system and a special steering coupling which allows an exceptionally small wall-to-wall turning circle of only 29.5 feet.



Luxury equipment built-in as standard.

The new Sunny models feature:

- tinted glass
 - interior boot/tailgate release
 - wrap around moulded bumpers
 - push-button MW/LW radio
 - quartz clock
 - 2-speed wipers with intermittent wipe and wash wipe
 - lockable fuel filler lid
 - maintenance free battery
 - protective body side mouldings
 - reclining front seats
 - adjustable front head restraints
 - cloth upholstery
 - fitted carpets
 - heated rear window
 - electric washers
 - 3-speed heater fan
 - side window demisters
 - adjustable central air vents
 - adjustable face level air vents
 - centre console incorporating oddments and coin trays
 - cigar lighter
 - reversing lights
 - hazard warning lights
 - anti-dazzle interior mirror
 - trip meter
 - side indicator repeaters
 - warning lights for battery charge, handbrake on/low brake fluid level; oil pressure; rear fog lamps; heated rear window; and much more.
- GL MODELS ALSO HAVE:
- remote control rear window opener
 - interior fuel lid release
 - rev counter
 - deep pile carpets
 - pocketed armrests
 - rear wash-wipe
 - remote control door mirrors, etc.

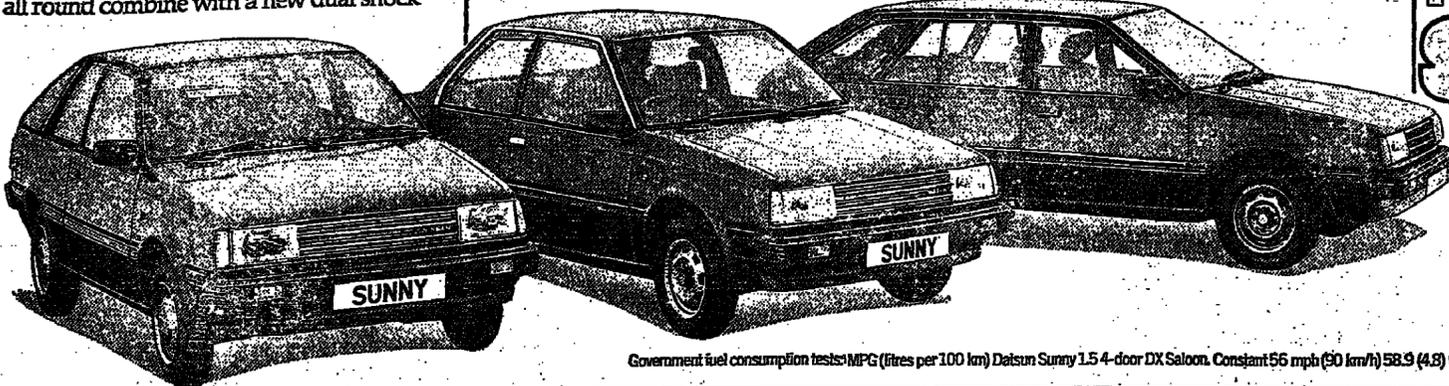
The new Sunny further enhances Datsun's reputation for unbeatable value for money with prices starting from just £3866 for the new Sunny 1.3 DX 2-door saloon.

See the new Nissan Sunny at your nearest Datsun dealer now. One of the world's best selling cars has become even better.

THE NEW NISSAN SUNNY

FROM **£3866**

- Sunny 1.3 2-door Saloon DX 4-speed £3866.
- Sunny 1.3 4-door Saloon DX 5-speed £3984.
- Sunny 1.5 4-door DX 5-speed £4136.
- Sunny 1.5 4-door DX automatic £4429.
- Sunny 1.5 GL 5-speed coupé £4566.
- Sunny 1.5 DX Estate 5-speed £4536.
- Sunny 1.5 GL Estate 5-speed £4696.
- Sunny 1.5 Estate GL automatic £4998.



Government fuel consumption tests: MPG (litres per 100 km) Datsun Sunny 1.5 4-door DX Saloon. Constant 56 mph (90 km/h) 58.9 (4.8) Constant 75 mph (120 km/h) 42.8 (6.6) Town driving cycle 36.7 (7.7).

OVERSEAS NEWS

Baghdad admits to loss of Khorramshahr

BY JIM MUIR IN NICOSIA

IRAQ yesterday admitted that its forces had evacuated the Iranian port of Khorramshahr, just two days after the Iranians launched a direct attack on the city.

west, having completed the city's encirclement, these remaining Iraqi troops must presumably be cut off from their own border, unless they were staging a fighting withdrawal at the time.

Israelis down 2 Syrian MiGs

By David Lennon in Tel Aviv

ISRAEL'S aircraft shot down two Syrian MiG fighters over Beirut yesterday, after the Syrians intercepted them on a reconnaissance over the Lebanon.

HONG KONG SOFT DRINKS MARKET

Clash of the tin can Titans

BY ROBERT COTTRELL IN HONG KONG

THE RELATIVE merits of Coca-Cola and Pepsi-Cola are one of the great mysteries of life—some would say on a par with the purpose of Stonehenge and the joke which Mona Lisa heard shortly before she was painted.

came together last August with a veteran of the drinks trade, Mr Michael Morris, drafted in from Pepsi Singapore as general manager.

—similar to Britain's party political broadcasts, since it comprises taking out advertising space on all television channels—four in Hong Kong—simultaneously.



Downtown Hong Kong... the tin-can Titans battle for a HK\$320m market.

Browne points to the HK\$200m (£19m+) being spent at Swire's Quarry Bay plant—which even then will be the smaller of its two bases.

Gulf states wait anxiously for Tehran's next move

BY JAMES DORSEY IN KUWAIT

THE GULF states will wait for Iran to signal how it intends to follow up the recapture of Khorramshahr from Iraq before deciding how to react to Tehran's apparent victory in the war, senior Kuwaiti officials indicated yesterday.

Qatar and Oman—will meet on May 30 in the Saudi capital, Riyadh, to discuss recent events on the Iran-Iraq battlefield.

Namibian budget

THE NAMIBIAN (South West African) budget, tabled in Windhoek yesterday, shows that the territory's administration is increasingly dependent on South Africa for finance.

Mr Dirk Mudge, chairman of the Ministers' Council, disclosed that state income this financial year would be an estimated R600m—R54m less than 1981-82. Total state expenditure for 1982-83 would be R870m.

ISRAEL'S ELECTRONICS INDUSTRY

'Brain power' key to exports success

BY DAVID LENNON IN TEL AVIV

LED LAGELY by exports, Israel's electronics industry notched up a remarkable 16 per cent growth in output last year, more than double the overall increase in industrial production of 7 per cent.

French embargoed military supplies. This led the Israeli Government to try to develop the domestic arms industry so as to lessen dependence on foreign suppliers and reduce the danger from possible future arms embargoes.

agricultural, and industrial uses. The industry is highly concentrated. Just over 40 factories, about 15 per cent of all units, employ 75 per cent of the workforce and yield some 80 per cent of its output.

China raises \$8.78bn abroad in 1981

HONG KONG — China raised and drew down \$8.78bn in foreign funds in 1981, the Hong Kong based China economic news reported yesterday.

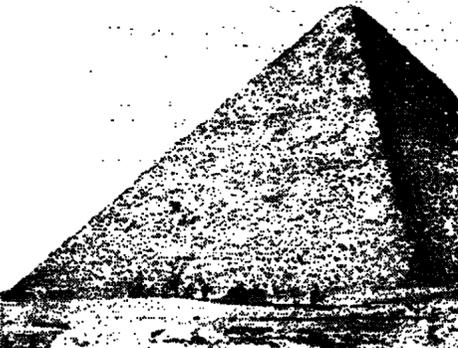
The weekly journal quoting official figures, said the amount comprised \$2.46bn in medium and low interest government credits, \$1.55bn in buyers' credits between the Bank of China and the U.S. Export-Import Bank and medium and short-term credits.

Gulf Air to Cairo. Now your best choice ever from June 2nd.



Gulf Air is proud to announce yet another Golden Falcon Route to add to our already extensive service to the Middle East. From June 2nd we are introducing Wednesday and Saturday flights non-stop to Cairo from Heathrow at 10.00 arriving 15.45 local time.

طيران الخليج GULFAIR Your best choice ever to the Gulf and beyond. Call your travel agent or Gulf Air reservations...



The Ebic banks bring strength and experience to your financial operations

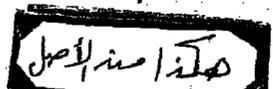
More than two decades have passed since the Ebic banks started co-operating in order to offer the most innovative and dynamic services to their customers. Their expertise has helped businesses — both large and small — importers, exporters, European companies, international organisations, states and governments.

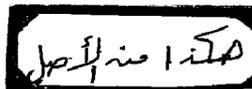
- Amsterdam-Rotterdam Bank, Banca Commerciale Italiana, Creditanstalt-Bankverein, Deutsche Bank AG, Midland Bank plc, Société Générale de Banque Generale Bankmaatschappij, Société Générale

Investments. In Europe, for instance, there's Banque Européenne de Crédit (BEC) in Brussels and European Banking Company (EBC) in London — both offering specialised financial services throughout the world.



Europe's most experienced banking group





Chinese economic delegation prepares to visit UK

BY COLINA MACDOUGALL

A CHINESE economic delegation offering important potential for British and other EEC investment will visit Britain under the sponsorship of the British Longwall Mining Association for about two weeks at the end of June.

The group, from the China South-west Energy Resources United Development Corporation (CSERUDC), is touring Europe to seek co-operation in developing coal mines, rail links, power plant and port facilities in four provinces of south-west China. These are Guangdong, Guangxi, Yunnan and Guizhou.

The project has been under discussion in China for many months, and unlike the abortive projects proposed by China in 1978 shows signs of realistic deliberation. The main object of the current trip is to examine possible sources of financing, such as export credit, compensation trade and joint ventures.

The CSERUDC, unlike bodies which foreigners have previously negotiated with in China, spans four provinces and a range of industries. This is expected to make it more powerful and effective.

Stage 1 of the project, centred on the Lipanshui coal mines in Guizhou province, is designed to

Danes to assist with heating scheme

By Hilary Barnes in Copenhagen

A DANISH group has signed a preliminary agreement with the city of Tientsin, China, to assist with the introduction of a geothermal-based district heating system.

It is expected that an agreement will be signed in the autumn during a visit to China by Mr Poul Nielson, the Danish Energy Minister.

The city has a population of about 8m, but it is not clear how big the project will be. It could be limited to a pilot scheme, but it could cost \$500 (£27m).

The Danish Board of District Heating will supply project planning know-how and equipment to enable the Chinese to set up their own manufacturing operations, said Mr Barry Chance, vice-president of the Danish Association.

The Danes are also expecting to win substantial contracts in connection with a \$300m district heating project in Seoul, South Korea, where several Danish companies have already entered into joint venture deals with major Korean companies.

Rift between EEC and U.S. may widen

BY PAUL CHESTERIGHT, WORLD TRADE EDITOR

WEST EUROPEAN companies with trading interests in the Soviet Union and Eastern Europe will probably have to contend with an unstable environment for the next few years. And fundamental policy differences between the EEC and the U.S. over the wisdom of trade with the East could spill over into other areas, increasing existing transatlantic tensions.

The immediate issue is the response to the imposition, last December, of martial law in Poland. This prompted the U.S. to announce a hastily-wrapped package of unilateral sanctions which, subsequent events showed, it had no clear idea of how to execute in the face of West European reservations.

According to a study by Mr Stephen Woolcock, published today, "short of a return to the path of liberal reform, the events in Poland are likely to lead to a more restrictive approach to East-West trade in the U.S."

If liberal reform in the Communist countries is suppressed, what remains of the political rationale for the trade is undermined, Mr Woolcock suggests. Further, the U.S. itself has never been heavily engaged in East-West trade.

One reason for this light engagement is of course the fact that, apart from the years of detente during the late 1960s and early 1970s, U.S. companies have tended to shy away from an area in which successive

Administrations have tended to act with economic means to secure political objectives.

The grain trade is rather different from manufactured products or capital goods. The latter have to be sold. But Soviet grain demand ebbs and flows according to the success of the harvest. Given U.S. power as a major grain producer, it has to some extent a captive market.

Mr Woolcock thinks that another round of sanctions is likely "to result in a further reduction in the relative level of East-West trade"—for several reasons.

The Soviet Union and East European countries will avoid dependence on U.S. suppliers. U.S. companies will think twice about investing effort in Com-econ markets when there is a risk of export controls. And West European contractors will tend to avoid reliance on U.S. plant or technology for fear that re-export controls will be imposed.

To some extent this process has already started. The relative success of the Soviet Union in finding alternative sources of grain following the U.S. grain embargo imposed after the invasion of Afghanistan is one reason why a current of opinion is developing in the U.S. against the use of economic measures for political means.

Further, the Soviet authorities' tactics in granting contracts for the Siberia-West Europe pipeline—the Urengoi pipeline, now the subject of

controversy—show a reluctance to entrust construction just to one turnkey contractor. The negotiations last year showed the Soviet desire to diversify as much as possible.

Mr Woolcock considers that "security interests may again become the dominant influence on U.S. policy-making, as they were up to the late 1960s. This would imply that economic relations with the East would be viewed as an extension of U.S.-Soviet military competition."

The statements of senior officials like Mr Caspar Weinberger, the Secretary of Defence, would tend to bear this out. The latest U.S. plans for a quota to be placed on Western credits to the Soviet Union is the latest manifestation of this policy.

It is at this point that the potential for discord between the U.S. and Western Europe becomes the most marked, both at the general policy level and at the practical trading level.

On issues of military security, the U.S.'s leadership role in the alliance generally goes unquestioned; on East-West trade issues there is no clear leader," writes Mr Woolcock. The U.S. would like to assume leadership, but cannot without European support.

If Europe fails to respond because it feels U.S. policy proposals to be detrimental to its interests, the U.S. may seek to exercise leverage over the Europeans.

The unilateral imposition of U.S. sanctions following the imposition of martial law in Poland, carrying with it the claim to prevent the re-export to the Urengoi pipeline of General Electric turbine parts, already in the UK, West Germany and Italy, at the plants of John Brown, AEG-Kanis and Nuovo Pignone, could be part of that process.

But this U.S. claim attracted vigorous resistance, not least on the "basic" issue of sovereignty. European nations question the right of the U.S. to extend its jurisdiction to companies incorporated outside its borders.

In other words, the East-West trade issue has already spread into other areas of contention. Indeed, suffer U.S. policies on East-West trade are emerging when the bag of U.S.-EEC trade disputes is already overflowing.

The Versailles seven-nation economic summit next month will show to what extent the U.S. is prepared to link all the issues.

Ironically, as debates within the Western alliance gather intensity East-West trade is slowing down in any case. Mr Woolcock notes that West European dependence on East-West trade—and it was never a great proportion of the total—declined in 1978 and 1980.

Western Policies on East-West Trade; by Stephen Woolcock; Routledge and Kegan Paul for the Royal Institute of International Affairs, London.



Caspar Weinberger

Hong Kong, EEC still 'far apart' on textiles

BY ROBERT COTTRELL IN HONG KONG

HONG KONG and the EEC begin their bilateral talks in Brussels next week on the level of trade in textile goods from apparently irreconcilable standpoints.

The two sides "are as far apart on textiles as Kowloon and Brussels—travelling the long way round," according to Mr Lawrence Mills, Hong Kong's trade commissioner yesterday.

He warned the Community that it was wrong to get the impression that the colony had agreed, at the Multi-Fibre Arrangement discussions in Geneva last December, to reductions in the level of its trade.

"Hong Kong repeatedly stressed during the renegotiations of the MFA last year that it could not accept cutbacks and this was made absolutely clear to the EEC at the time," he stated.

The EEC negotiators, said Mr Mills, have a mandate to obtain a 10 per cent reduction in Hong Kong's quotas. Hong Kong, he said, had made it "absolutely clear" that it would not tolerate reduction.

Not only was Hong Kong concerned about its EEC market, but other countries might demand similar concessions if the demand for cuts proved successful.

Hong Kong's exports of textiles and garments were worth HK\$33.6bn (£3.3bn) last year, or 42 per cent of its overseas sales. Its largest markets are in the U.S. and the EEC.

Hong Kong recently concluded its bilateral negotiations with the U.S., whereby the growth rate on restraint limits for 24 sensitive categories was cut from an average 3.6 per cent to slightly under 1 per cent.

The current EEC deal expires at the end of this year and the EEC would like to conclude a similar arrangement with the colony.

The EEC views the negotiations with Hong Kong so seriously that it has set aside some three weeks for them. Many of the other discussions completed in a matter of days.

INSIGHT INTO JAPANESE TECHNOLOGY

NKK: Prepares for the challenges of the 1980s

One of a series of interviews by Mr. Dick Wilson and Dr. Yotaro Yanase



Mr. Minoru Kanoo, President

NKK is a heavy industrial corporation which has diversified its business to steelmaking, engineering/construction and shipbuilding. It is Japan's second largest steelmaker and ranked sixth among the world steel companies in 1981. NKK has three shipyards with total building capacity of about one million gross tons per year, making it fourth largest Japanese shipbuilder. NKK is also active in engineering and construction utilizing accumulated steelmaking and shipbuilding expertise.

NKK's steel division has two major integrated steel works. One is the Keihin Works with an annual crude steel production capacity of 6 million tons. The Ohgishima Complex, well-known for its most advanced facilities and achievements of saving manpower—and energy, was completed in 1979. The other is Fukuyama Works, the largest-scale complex in the world with an annual capacity of 16 million tons of crude steel. The division makes its utmost efforts to develop steel products of higher added-value to meet new and more sophisticated needs in various steel-consuming industries.

NKK's advanced technology and expertise in the field of steel tubular goods is especially noteworthy because of its 70-year history and experience.

NKK has built a number of super-tankers that operate around the world. It is also building energy-saving ships, liquefied gas carriers and icebreakers, which require high and reliable technology. It is a known fact that NKK made the world's first sail-equipped motor ship. The latest highlight is its involvement in fabricating offshore structures, especially platforms and rigs for drilling oil and gas.

In engineering and construction, NKK has first class technology for fabricating structures for oil and gas exploration and laying pipelines and petrochemical plants. Steelmaking engineering is this company's strong point with its most advanced technology and equipment in the world. It has exported steelmaking technology to the U.S., Europe and other countries.

Brazilian rail contract awarded

By Terry Dodsworth in Paris

CGEE Alsthom do Brasil, part of the French-owned CGEE Alsthom group, has won a FF 900m (£36.5m) order from Brazil for the extension and modernisation of suburban railway lines in Sao Paulo and Rio de Janeiro.

The agreement assigns work on the project to a consortium of French companies and their Brazilian subsidiaries led by CGEE Alsthom, a subsidiary of Alsthom-Atlantique, which is owned by the recently-nationalised CGE electrical company.

Other participating companies include Spie Batignolles and Jeumont-Schneider, both part of the Empain-Schneider engineering concern.

The rail deal comes only a month after France agreed to advance FF 2bn of new export credits to Brazil. This financing covers a wide range of projects, including the railway lines, along with two hydro-electric power stations in which CGEE is also involved, hospital equipment and chemical freight ships.

Semiconductor order in U.S. is worth \$18.3m

By Louise Kehoe

INTEL, the California-based semiconductor chip manufacturer, has placed a \$33m (£18.3m) order for production equipment with Ultratech, a division of General Signal.

The order is believed to be the largest equipment purchase recorded in the industry, and comes at a time when the chip maker is optimistically gearing up for an upturn in business following a year of severely reduced profits.

Intel is buying 100 "wafer steppers"—machines used to paint minute circuit patterns on to silicon wafers. The company's choice of the Ultratech system gives a major boost to that section of the industry and is a blow to GCA which has formerly led the field with its version of the wafer stepper.

Intel will use the new machines to implement its advanced HMOS III production process—the acknowledged leader in semiconductor production processes.

General Dynamics ready to seal Israeli contracts

BY DAVID LENNON IN TEL AVIV

THE U.S. jet fighter manufacturer General Dynamics, is concluding contracts with Israeli companies for the purchase of \$300m (£166m) worth of aviation equipment.

General Dynamics representatives are in Israel to select the items to be purchased within the framework of the buy-back agreement between the company and the Israeli Government, which was signed when Israel purchased the U.S. company's F-16 fighter.

The buy-back agreements cover three years, and most Israeli companies involved in the production of aviation and avionics equipment are included in the U.S. orders.

Among the Israeli companies expected to sign supply contracts with General Dynamics are Israel Aircraft Industries, Elron, Cyclone, AEL and TAT.

The orders from the U.S. company will prove a major boost to the Israeli companies, which had feared there would be severe restrictions on output in the next few years because of delays in the developments of the Israel Lavie warplane.

The major problem which big U.S. purchasers encounter on the Israeli market is the small scale of production, which makes it difficult for many Israeli companies to supply the U.S. customers with goods in the quantities and at the speed required.

Minoru Kanoo, President of Nippon Kokan, receives visitors in front of an exquisite and no doubt priceless view of Lyon by the eminent contemporary painter, Jean Fusaro.

NKK, as the firm is generally known, is Japan's second largest steel producer after Nippon Steel Corp.

This is a traditionally dynamic industry, but NKK headquarters in central Tokyo is an austere skyscraper decorated with artistic masterpieces, like the Fusaro.

NKK's 70th birthday this year will be marked by a highly interesting technological development of a shift from mass production of steel to the era of value-added products.

The company produces not only steel but also heavy industrial plants and ships. Although steel still accounts for 75 per cent of the turnover, the management proposes now to increase the ratio of heavy industrial engineering activities. On the steel side, there are two major integrated works, at Fukuyama and Keihin. It is at this latter works, well-known for its modernized facilities, that most of the exciting experiments are taking place.

We asked President Kanoo about his plans for the extraordinary steel works at Ohgishima which floats on the sea and is now in its third year of completion.

Kanoo: We had two objectives here, to improve the environmental quality of our production, and also our competitiveness. The Keihin Works prior to its modernization consisted of a number of dated production facilities spreading over a wide area very close to residential zones. At that time, Ohgishima was a tiny island offshore the area of Keihin Works and used by NKK as a storage yard for raw materials.

After the old plants were dismantled, a huge man-made island was built at Ohgishima to house a complete steel plant complex. This took 10 years to complete, and we now have two blast furnaces operating. The island is equipped with the most modern energy-saving facilities, and enjoys the highest productivity with the lowest possible degree of pollution.

Yanase: The ecological precautions must have been expensive.

Kanoo: One fifth of the total cost of the construction was devoted to pollution control measures including ensuring the purity of air and of water and planting trees. Productivity per head has more than doubled after fully automating and computerizing the operation. There

Wilson: What about shipbuilding? How do you assess future demand, and how are you dealing with the effects of international recession?

Kanoo: Japan's shipbuilding industry has held about 50 per cent of the world's total shipbuilding volume. Since demand for construction of new ships considerably decreased worldwide, in the aftermath of the oil shock, Japanese shipbuilding companies reduced their production capacity. NKK trimmed its shipbuilding capacity by almost 40 per cent including a reduction in its workforce.

But there has been a little bit of recovery in the last two years or so. However, we are worried about rising competition from shipyards in Korea and other countries which are increasingly winning new orders. We have fairly good orders until 1983. After that it depends on the exchange rate, which has been going against us recently, and how competitive new countries become in shipbuilding. One of the specialized ships we have recently produced is a tanker with a computerized sail.

NKK is the pioneer of building ice-breakers in Japan. It is about to complete an ice towing tank at its shipyard, and it has already developed steel materials that can be used in the Arctic and other low temperature zones.

In these different ways, this Japanese steelmaker with a lifetime of history is preparing for the challenges of the 1980s.



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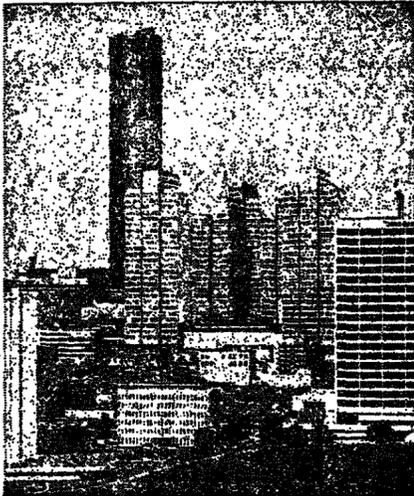
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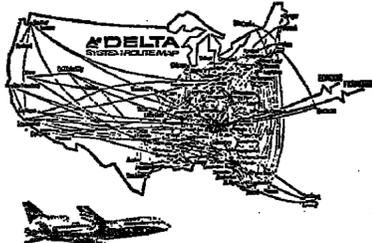
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ENERGY REVIEW

Clearer picture for North Sea operators

By Ray Dafter, Energy Editor

THE PAST ten days could mark a turning point in the development of North Sea oil and gas reserves. At least offshore operators have been given a new sense of direction.

For the first time in a decade the Government is to auction potential oil-producing blocks and offer a substantial number of licences in the gas-bearing southern sector of the North Sea. The new eighth round of licences unveiled on Monday of last week also opens up unexplored frontier areas, some of them in very deep water, in a move which should provide much more information about the amount of oil and gas lying off the UK's shores.

The Energy Department seems to have ruled out the notion of introducing depletion measures to control the future rate of oil production. Mr. Hamish Gray, Minister of State for Energy, told members of the Institute of Petroleum last Wednesday that uncertainties about future levels of production and demand made it impossible to devise a detailed depletion blueprint. The Government wanted to prolong high levels of oil production to the end of the century, he said—a clear and welcomed invitation to the industry to "carry on producing."

Sandwiched between these announcements was perhaps the most significant development of all. The oil industry at last received some concerted parliamentary support—in the form of the all-party Energy Select Committee—for its campaign against the present North Sea tax structure. The Conservative-led committee reported that the "complex and cumbersome" tax system was endangering future exploration and production. It was in need of a thorough overhaul.

All this has restored colour to the cheeks of offshore operators. For months they have appeared listless, constantly complaining that high taxes and general uncertainties were draining them of cash and incentives to invest in exploration and production. Their minds have wandered to warmer climes, to the drilling areas of China, South America, South-East Asia, and West Africa.

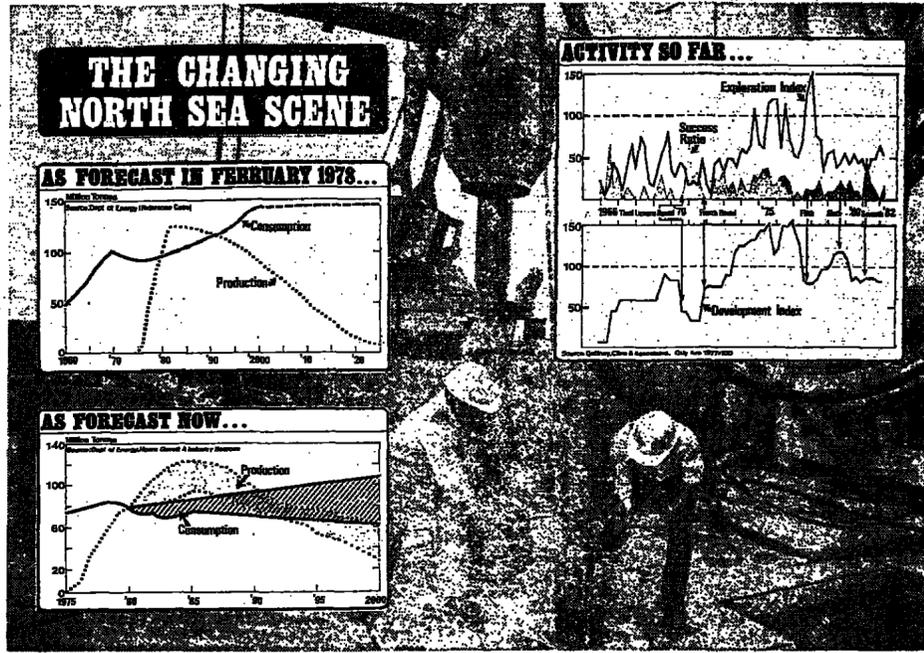
The industry's complaints have fallen largely on deaf ears within Government. Treasury and Energy Ministers, growing tired of industry moans, take the view that oil companies are really more worried about lowered price projections than taxation.

Their repeated line is that the Government has a duty to strike a balance between the revenue needs of the nation and investment incentives for the offshore industry. The Treasury will not willingly release its grip on a source of revenue which, in the 1981/82 financial year, yielded £5.4bn, a 65 per cent increase on the previous 12 months. But at the same time it cannot overlook the fact that the offshore industry provides a good deal of light in the present economic gloom; its capital spending programme of £2.5bn last year represented one-fifth of total UK industrial investment.

Sir Geoffrey Howe, Chancellor of the Exchequer, said recently that taxation was not making North Sea development unattractive, especially in view of the March Budget proposals which would lead to the abolition of the so-called "top-slice" Supplementary Petroleum Duty and a slight reduction in the top rate of oil taxation—from 90.5 per cent to 89.5 per cent.

The Chancellor is now coming under fresh industry pressure to make last-minute changes in the Finance Bill, now going through Parliament, and to consider more fundamental tax changes in the next Budget. Today's top-level delegation from the UK Offshore Operators Association will tell Sir Geoffrey that tax changes must be made if future exploration and developments are not to be damaged. The pleas are familiar.

The Energy Select Committee was convinced that the industry did now have a valid case for complaint. "I think the committee can differentiate between a hoarse whisper and a strangled scream," commented Mr Ian Lloyd (Con, Havant and



Waterloo), the committee's chairman.

"How far you burden the tax base is a fundamental judgment," he went on. "If we have not passed the point of real danger then we are very close indeed."

The danger, in this case, is a decline in offshore investment. The committee concluded that the tax system, at its current level, complexity and frequency of change, had passed the point at which its impact on development projects could be regarded as "broadly neutral." By discouraging new development, the Government ran the risk of lower production and tax revenue in the longer term.

The warning signals are already flashing. The pace of exploration drilling may have picked up slightly since the slump of 1978-80. But the number of exploration wells completed in the first quarter of this year (ten) was only one-third of the peak in 1977 and 55 per cent of the average for that year as a whole.

Petroleum consultants Gaffney Cline and Associates have also just reported that the amount of oil reserves under development at the end of March was about half the amount being exploited at the peak of activity in 1976.

It would be unreasonable to expect the phenomenal growth of the 1970s to continue. But the rapid rate of decline in development activity is now causing considerable concern within the oil industry and the Energy Department, not only for its implications for the rate of future oil production but also for its impact on the offshore supply industry. Over 2,000 employees in the platform-building sector are known to be facing redundancy as a result of the slump in orders.

Only six fields are now under development and their reserves are comparatively modest when set against some of the 20 fields already in production. (The combined reserves of the six are a good deal less than the 2bn barrels of recoverable reserves originally contained in British Petroleum's Forties Field.) And it is now almost two years since an offshore operator applied for—and received—government approval for a new oil development project.

At least three development candidates have been shelled: Shell/Esso's Tern Field; Petroleum's Andrew discovery; and Phillips Petroleum's complex of fields in the so-called T Block. These three projects would have required a combined investment of over £3.5bn.

The reasons given for their postponement have been identical. Companies say they are worried about the uncertainty of future oil prices, high taxation and the geological characteristics of their fields. Trying to sort out which of these

concerns is the main reason for holding up development is somewhat akin to playing poker. The companies give few clues.

On balance it seems that falling prices have had the most damaging impact. With North Sea contract rates this year having fallen from \$39.25 a barrel to \$31 a barrel, companies have been forced to abandon their previous aspirations that prices—in real terms—could rise beyond \$40 or even \$50 this decade.

Consequently, a tax system which could have been tolerated and justified under last year's pricing assumptions—even though oil companies were squealing—has now become unbearable in certain cases. And it is the smaller, economically marginal fields that have been hardest hit.

If anything, the Chancellor's

Budget changes have made matters worse for some of these small fields according to the industry. Companies contemplating the development of the more attractive small 50m-barrel field earlier this year might have reckoned on a discounted cash flow rate of return of between 17 and 18 per cent. Following the Budget, it is claimed, the expectation has fallen to 15-16 per cent—an inadequate reward for a high-risk venture, say the companies.

And yet it will be such small fields that will have to contribute the bulk of the UK's offshore oil supplies in the coming years. According to the UK Offshore Operators Association, 74 fields have been identified in the North Sea. The first 26 of these, now producing or under development, have average recoverable oil reserves of over

400m barrels. The next 11 potentially commercial fields contain an average 100m barrels of recoverable oil while a further 37 "marginal" discoveries contain on average only 60m barrels.

The Association claims that only two or three of the potentially commercial fields can now be considered as likely candidates for development. None of the 37 "marginal" fields were likely to be exploited under the current tax system.

But the picture is not wholly bleak. It should not be many more months before the Energy Department receives development applications for at least two fields: British National Oil Corporation's Clyde discovery and Total's North Alwyn Field. Companies are also devising new and more cost-effective

ways of exploiting small discoveries.

And there would now appear to be less urgency for new fields to be exploited immediately, given the revised estimates of future oil demand. A little over four years ago the Energy Department was working on the assumption that UK oil demand could now be running at about 100m tonnes a year (2m barrels a day) and might rise to over 120m tonnes annually by the turn of the century.

The recession, conservation and fuel substitution have transformed that picture to the extent that demand is now running at about 75m tonnes a year and is unlikely to grow very much—at all—over the next 20 years.

The production picture is also changing. As a result of development delays and unexpected reservoir problems the sharp peak of output once expected for the early 1980s has been changed to a gentle hump.

One factor remains constant. The UK still looks like returning to its former position as a net oil importer by the mid-1990s—quite possibly sooner—unless the offshore industry finds and develops many more fields in the coming years.

The eighth round of drilling licences announced last week will help. The Government may regard the offer of at least 95 new exploration concessions as an acid test of the industry's true commitment to the North Sea.

Government signals that no new restrictive depletion measures are to be introduced will also reduce some of the uncertainties. But at the end of the day the pace of future development will be set largely by pricing considerations and taxation.

Somewhat surprisingly, one of the most vociferous critics of the present tax package is the state-owned British National Oil Corporation. Mr Malcolm Ford, director in charge of the Corporation's exploration and production activities, commented at the weekend: "Everyone must realise that the North Sea scene has changed. We knew the next batch of fields would be smaller, harder to find and more difficult to develop. What has surprised us has been the unexpected change in oil prices."

New Issue
May 26, 1982

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Poor growth predicted for UK gas demand

BY RAY DAFTER

THE GAS industry is facing a dramatic turnaround in its growth prospects and above-average price rises for its supplies, according to Mr Robert Evans, president of the Institution of Gas Engineers.

Mr Evans, chairman of the East Midlands region of British Gas, said in his presidential address yesterday that UK gas demand was likely to grow at only 0.5 per cent a year to the turn of the century. This would compare with a growth rate of 7.8 per cent a year for most of the 1970s.

Mr Evans, speaking in London, said that by the 1990s UK gas demand could be static, or even in decline. He gave several reasons for this forecast.

● Economic growth for the rest of the century, at about 2 to 3 per cent annually, was likely to be slower in the UK than in the world as a whole.

● The gas industry's share of the central heating market was already approaching saturation. Growth prospects would also be reduced as a result of a movement to smaller households and single-person dwellings.

● Energy conservation measures would have an impact. By the mid-1990s, a quarter of the housing stock would be low-energy homes.

● The industrial market was also undergoing a structural change with the closure of old, inefficient plants and a concentration on less energy-intensive light manufacturing and high technology industries.

Mr Evans said the price of natural gas supplies was likely to increase faster than the general rate of inflation. At present, supplies of gas accounted for about one-third of the British Gas Corporation's total costs.

John Elliott

Midland to offer interest-bearing current account

BY PAUL TAYLOR

THE MIDLAND BANK is set to offer a hybrid, interest-bearing current account, as an alternative to traditional cheque accounts, to its 4.5m personal customers.

The announcement, expected soon, will reflect the growing competition between the retail banks and the building societies for personal savings, and the mounting pressure on the High Street banks to pay interest on current accounts.

Details of the Midland scheme have yet to be finalised, but it is understood that the bank is examining a range of specific proposals for accounts which would provide cheque book facilities and pay interest, probably on a quarterly basis. One possibility is that the Midland would extend its existing "Save and Borrow" revolving credit account by introducing a cheque book facility.

This month the bank introduced its "Readicash" pilot scheme in six cities, aimed at customers "who prefer to deal in cash rather than cheques".

The scheme, which the bank claims to be successful, allows customers to withdraw cash through a plastic card at any of the bank's 540 cash dispensers. Customers can pay as much money as they like into the account and interest is paid quarterly at 1 per cent less than the bank's seven-day deposit rate.

The Royal Bank of Scotland offers a similar account, involving a plastic card and called "Cashline" deposit account, which pays interest. More than

New CBI president plans to speak out for enterprise

THE FIRST president of the Confederation of British Industry to have spent a considerable part of his career as a broadcaster and a public relations manager takes office today.

He is Sir Campbell Fraser, 59, a former presenter of BBC Radio's Woman's Hour and now executive chairman of Dunlop Holdings, a company he joined as a public relations officer in 1957.

A proud Scot and powerful speaker, Sir Campbell says his main task during his two years' presidency will be to "speak out vigorously for enterprise in both the public and private sectors of the economy."

He takes over the presidency from Sir Ray Pennock, executive chairman of BICC, at a time when the CBI's relations with the Government have stabilised following the difficult period 18 months ago when CBI members loudly attacked their leaders for criticising the Government's economic policies.

"We have now got the Government to understand the realities of industry without being so loud as our more vociferous members might want," says Sir Ray.

Sir Campbell may sometimes find himself out of line with the CBI's right wing and, with staunch supporters of the Conservatives.

He sees little sign of any general upturn in the economy and two months ago said the "light at the end of the tunnel"

being talked about by ministers looked like an "anemic glow-worm." Now he says the "glow-worm may be glowing more strongly," but adds that the only real improvement is the "growing confidence of business managers."

He is not totally convinced about the usefulness of the law in improving industrial relations, and he sees a need for positive Government industrial policies.

Like his predecessor, Sir Campbell is a sincere believer in the need for greater employee participation. "Sir Ray has in my opinion successfully drawn the attention of CBI members to the fact that employee participation is not something you leave to someone else, unless you want the law eventually to come in and do it for you," he says.

How free Sir Campbell will feel to air his own views on political matters remains to be seen. Sir Ray—who was deputy chairman of ICI before he became chairman of BICC—took office in 1980 with the reputation of being a Liberal, wanting to build bridges with the TUC.

But he was also critical of the behaviour of trade unions and he realised that the CBI could not be used by the TUC to build joint criticism of the Government. Accordingly, he is regarded as a rabid right-winger by one or two top union leaders.

He has even been criticised by some of his own members during the past two years for getting too close to Mrs

John Elliott outlines the problems facing Sir Campbell Fraser



Sir Raymond Pennock



Sir Campbell Fraser

Thatcher and for not attacking her more openly about the effect of the Government's economic policies on industry.

Sir Ray reflected on this problem in his speech at the CBI's annual dinner on Monday night. He said he had been warned by the late Sir John Methven, then CBI director general, that "holding presidential office under a Tory Government would be much more testing than under Labour, much

more searching, and much more vulnerable."

There would be "more prospective pitfalls than under a government of any other party because of the perpetual paradox that we must continually press government to recognise the priorities of industry among all its other pressures."

Sir John had added: "Because the vast majority of our members support it, we must strive consciously and sensitively to

avoid any semblance of undermining the Government in the process."

Sir Ray said: "Despite the minefields, ambushes and booby traps which events seem to have created for us, I have survived." He thinks, rightly, that the CBI is now in a position where it can criticise the Government on specific issues without appearing to be undermining its basic policies.

Sir Campbell may have an easier run because of the lessons learned by Sir Ray and Sir Terence Beckett, the director general. The Government, also shown in the Budget (and by the earlier replacement of Sir Keith Joseph by Mr Patrick Jenkin as Industry Secretary), that it wants to help industry. That help is likely to increase as the next general election approaches.

Sir Campbell was born in Dunblane and was educated at Glasgow University and the Dundee School of Economics. In 1952 he joined the staff of the Economist Intelligence Unit and also started a 10-year freelance career as a BBC broadcaster.

He worked on public relations and marketing for Dunlop from 1957 to 1962, then joined the overseas division. In 1967, he was given his first industrial line management job when he was appointed managing director of Dunlop in New Zealand.

His performance there in the hunt for rapid promotion to be a UK executive director in 1969, managing director in 1972, and executive chairman in 1978.

He is also chairman of Scottish Television and a non-executive director of British Petroleum, BAT Industries and the Charterhouse Group.

While in charge at Dunlop, he has overseen the break-up of the union with Pirelli and has fought off takeover moves in the Far East, while the company's UK labour force has virtually been halved to 26,000 in the past five years.

In 1977, he surprised observers by picking Mr Alan Lord, then second permanent secretary at the Treasury, as his potential successor. Mr Lord is now Dunlop's chief executive officer and will carry a bigger load during the next two years, while Sir Campbell spends at least half his time on CBI business.

He has been chairman of the CBI's economic situation committee, which oversees the regular industrial trends surveys. He was the founder-chairman of the industrial policy committee, which has argued for increased Government spending on industry. It has also called for tougher EEC policies against the Japanese—an issue the CBI council debates today.

Sir Campbell takes over at a time when the CBI is starting again on its campaign for lower interest rates and for other cuts in business costs. These issues, together with the future of the recession and the problems of Japanese competition, are likely to dominate much of his presidency, as they did Sir Ray's.

London's tourist board launches action plan

BY JAMES McDONALD

MORE SHOULD be spent on London's tourism and tourist information facilities, reversing the decline in recent years in the number of overseas visitors and in the amount in real terms they have spent there, Mrs Mary Baker, London Tourist Board chairwoman, said yesterday.

Launching the Board's Action Plan for London tourism, Mrs Baker said the Board needed more funds for selective tourism promotion. It spent about £1.25m a year.

Mr Peter Stevens, the Board's new director, said another £500,000 was needed, in cash, facilities or premises. Plans envisaged improved facilities at Victoria, a centre near Piccadilly and, in partnership with the English Tourist Board, computerisation of hotel reservations and vacancies which could eventually become a national service.

He said talks on these projects were taking place with the English Tourist Board and the Greater London Council.

Mrs Baker said London local authorities spent less per head of population on the tourist industry than did Bath, York or Birmingham, though tourist spending in London last year was nearly £2.2bn, of which £1.7bn came from overseas visitors, an amount exceeded only

by the City of London's financial sector earnings.

Last year local authority spending on tourism promotion, per thousand head of population, was £45 in London, £117 in Birmingham, £1,109 in York and £2,546 in Bath. Yet London's share of overseas visitors' UK spending was 57.8 per cent in 1980.

In terms of 1981 prices spending by overseas visitors in London dropped from a peak of £2.3bn in 1977 to £1.7bn in 1981, the Board estimates. Nights spent in London by overseas visitors fell from 60.7m in 1978 to 52.6m last year.

The Action Plan seeks commitment to an economic-impact study to assess benefits and costs of tourism in London, improvements in service by better recruitment and training and a reappraisal of accommodation requirements, especially of low-cost facilities.

Pressure should be maintained to clear London of illegal street traders, there should be better enforcement of hygiene rules by giving inspectors immediate closure powers, and liquor licensing laws should be revised.

Tourism in Greater London—an assessment of current needs; London Tourist Board, 26, Grosvenor Gardens, London, SW1.

Coal grants plan postponed

BY MAURICE SAMUELSON

A GOVERNMENT announcement about soft EEC loans to enable British industry to switch to coal was cancelled at short notice yesterday to allow further technical discussions on how the cash will be administered.

Ministers are expected to confirm arrangements for loans of up to half the cost of converting plant to coal towards the end of June. Talks have been under way for more than a year.

The delay was a bitter disappointment to National Coal Board officials, who are today attending a major industrialists' conference at Peterborough to discuss the economics of switching plant from oil and gas.

The Government already provides grants covering up to 25 per cent of the cost of installing coal-fired plant, but many companies apparently find this insufficient incentive for a major investment.

Scheme to shorten Channel Tunnel construction time

BY HAZEL DUFFY, TRANSPORT CORRESPONDENT

THE PROPOSERS of a new approach to the construction of the Channel Tunnel claimed yesterday that their method could shorten the estimated six-year construction time by 30 to 50 per cent, making the whole enterprise more attractive financially.

The plan is to bore the tunnel not only from both sides of the Channel but also from one or more submerged caissons between the two coasts. This technique, still untested, draws substantially on experience gained in the North Sea and other offshore works using submarine construction techniques.

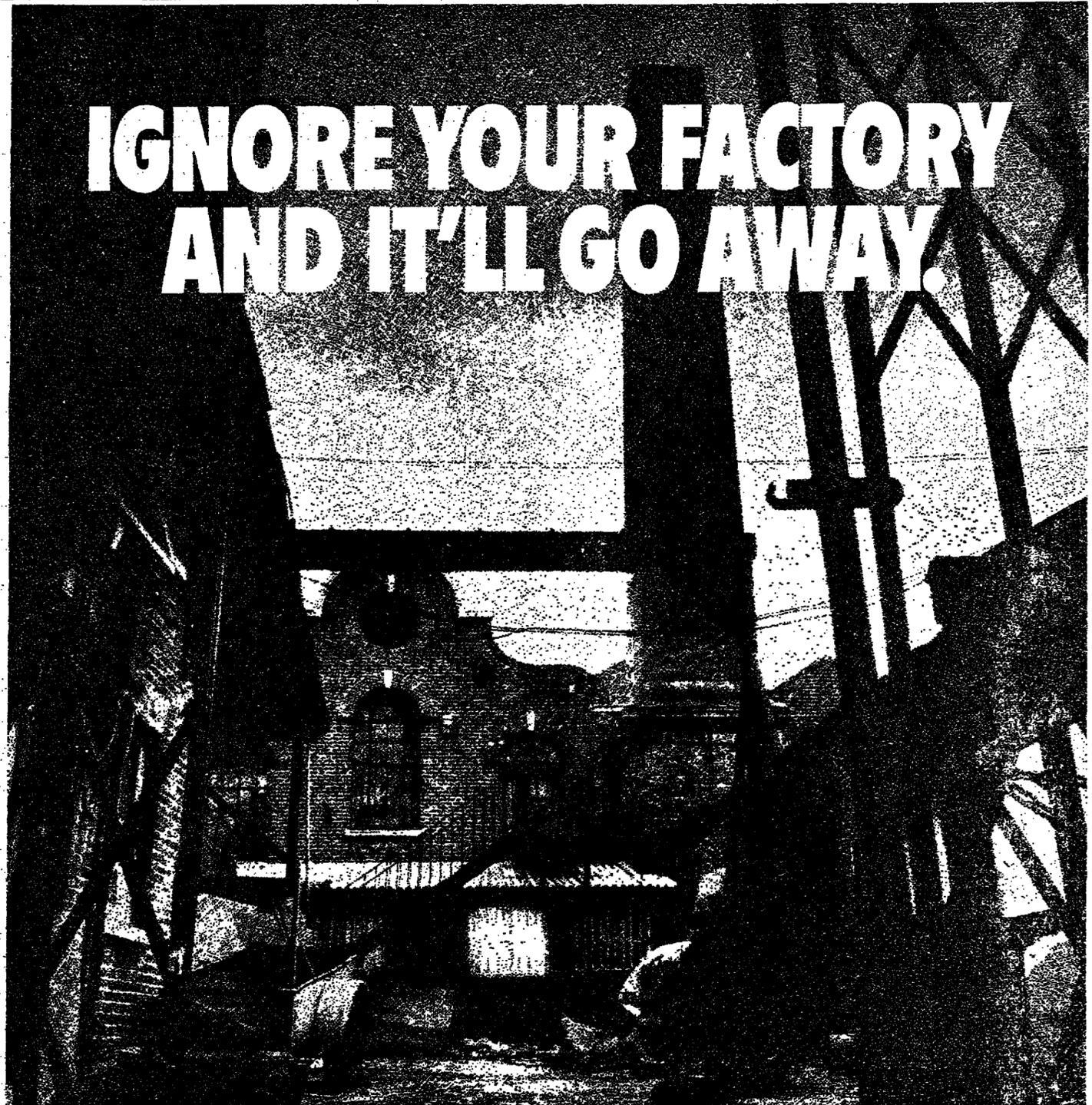
The submerged caisson, which acts like a mining shaft, has the advantage of not impeding shipping, although it would require a vessel permanently positioned for servicing.

Using this method, construction costs of the sector would be about \$100m (£56.4m) in addition to the other costs involved in boring the tunnel. This is equal to about 5 per

cent over the estimated costs of the single-bore tunnel proposed by the two railways in Britain and France. It would be suitable for any of the tunnels proposed.

Mr Alfred E. Davidson, European representative of the proposers, Mid Channel Access Corporation (MCAC), claimed yesterday that the added expense would be more than offset by savings from faster construction. MCAC is a subsidiary of Technical Studies Inc, a U.S. company which in 1957 was one of the founding members of the Channel Tunnel Study Group.

The group's representatives say they have had discussions on the technical basis of the proposal in recent weeks with the transport departments in Britain and France. MCAC does not incorporate any construction companies at this point, but aims to invite tenders once the proposal is accepted. It would then act as contractor for that part of the construction involving offshore works.



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that's bright and far more pleasant to work in. Happily, this results in less absenteeism; improved worker/management relationships; and what has to be the most welcome benefit of all, increased productivity. For a greater insight into the services Crown can provide and what you can do to help yourself, write for a free copy of "The Crown Guide to Factory Maintenance." It's one thing, besides your factory, that you'll never want to go away.



Datsun UK gets new model at low price

By Kenneth Gooding, Motor Industry Correspondent. NISSAN OF Japan is changing its UK importer, Datsun UK, to a completely new version of the best-selling Sunny than for the previous version.

Mr Octay Botnar, chairman and founder of Datsun UK, gave no details of the extent of the reduction, but said the price indicated the continuing improvements in productivity in the Japanese motor industry.

Mr Botnar, an ardent supporter of the view that Nissan should be encouraged to set up a car plant in Britain, suggested that the company had a great deal to offer the UK in terms of production technology.

In spite of the reduction in price to the importer, the UK list prices for the new Sunny range, introduced today, are between 5 per cent and 11 per cent more than the prices of the old range.

The Sunny has been very important to Datsun UK. Registrations once ran at about 50,000 a year, but last year they fell back to about 3,000 and the Sunny was overtaken by the Datsun Cherry not only as the best-selling car in the Datsun UK stable, but also as the premier "traditional" imported car (as compared with the "captive" imports by Ford, GL and Vauxhall).

Over the past 13 years, Datsun UK has put more than 500,000 Sunny models on British roads, and believes the car could have done much better if it had not been for the voluntary restraint on shipments by the Japanese industry for the past six years.

The new Sunny, unlike its predecessors, is a front-wheel-drive car and is powered by Nissan's new E series engine. The eight models in the range include a choice of saloon, coupé and estate bodies and a choice of two engines—a 1.3-litre, 60-brake-horsepower unit, and a 1.5-litre, 75-hp version. Four-speed and five-speed and automatic gearboxes are available.

Datsun says the new engine and gearbox combination, light weight and good aerodynamics gives good economy. For the Sunny 1.5-litre, five-speed saloon, 58.9 miles per gallon is claimed at a constant 56 mph.

Prices for the new Sunny range start at £3,865 for the 1.3-litre, two-door, four-speed version, and rise to £5,044 for the 1.5-litre estate automatic with metallic paint. Prices in the range it replaces ran from £2,668 to £4,485.

Doctors to be freed from signing sick notes for less than seven-day illnesses

BY ERIC SHORT. EMPLOYEES who are ill for a week or less, after June 14, will sign their own sickness benefit claim form to receive social security sickness benefit. They will no longer have to obtain a sick note signed by a doctor.

Department of Social Security. This system represents the end of much effort by the British Medical Association to ease the burden of certification on doctors. The medical profession has long regarded the signing of certificates as a pointless exercise and a waste of time. The present certificate does little more than state that the person has consulted his doctor and often the doctor has to rely on the patient's description of the symptoms.

Under the current system, employees need a sick note after three days' illness to claim sickness benefit. No social security benefit is payable for the first three days of illness. From mid-June the employee will get the official sickness benefit claim form from doctors, surgeons, social security offices or hospitals. The employee does not have to see a doctor to complete the form. The form has one simple question on details of sickness/injury, plus a declaration agreeing to the individual's doctor giving medical information relevant to the claim to a doctor in the Regional Medical Service.

The self-certification system would appear to make absenteeism much easier and some employers fear it could lead to some employees taking more time off work. But other employers have already introduced a form of self-certification and have taken the opportunity of monitoring absenteeism and controlling an employee's sickness pattern.

From next April, employers will be responsible for paying the first eight weeks of sickness benefit when an employee is off work through illness or disability. The Government is still in the process of completing the details of the scheme. But the Confederation of British Industry feels that the period ahead of the change-over will provide a useful test run to the self-certification system.

The Social Security (Medical Evidence, Claims and Payments) Amendment Regulations 1982, SI 1982 No 699 price 75p.

British Aerospace to cut 950 jobs

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT. BRITISH AEROSPACE, which recently announced 1,250 redundancies in three Midlands factories, is to trim its labour force by 950 by the end of this year.

The cuts will be at Hurn, near Bournemouth, Filton, near Bristol, and Weybridge, Surrey, all in the British Aerospace Aircraft Group. The Aircraft Group overall accounts for about 60,000 of British Aerospace's 79,000 employees, the rest being in the Dynamics Group.

The latest redundancies are due to a falling volume of work on civil ventures, especially with the end of production of One-Eleven jet airliners at Hurn, though parts are being made still in a co-production deal with Romania, and the general run-down of military aircraft work.

Hurn will lose 330 jobs, Weybridge and Filton about 310 each. As far as possible cuts will be made through natural wastage and early retirement. Direct redundancies will be used as a last resort. This may not be difficult to achieve because normal wastage in the Aircraft Group amounts to about 1,000 workers a year and many workers, up to about 3,000, are within 10 years of retirement.

British Aerospace warned recently that though an entity it remains profitable the current world-airline industry recession and cuts in defence spending are cutting the overall work-load.

This has resulted already in the decision to close the three Midlands aircraft plants at Bitteswell, Leicestershire; Bracebridge Heath, Lincolnshire; and Holme upon Spalding Moor, Humberside by the end of the year, with the loss of 1,250 jobs.

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Mr Nicholas says the Stock Exchange agreed to an "audit" of competition of the jobbing system and he now receives regular data on the extent of competition.

The success or failure of our case in the Restrictive Practices Court will be strongly influenced by the court's view about the extent of competition that exists in the market," he says.

North Sea taxes 'delay investment'

BY RAY DAFTER, ENERGY EDITOR. A TOP-LEVEL deputation from the North Sea oil industry will meet Sir Geoffrey Howe, the Chancellor of the Exchequer, to press for changes in the taxation system. The deputation from the UK Offshore Operators Association will warn the Chancellor that high tax levels and falling oil prices, are endangering exploration and development projects and delaying billions of pounds worth of investment.

To emphasise their concern the association is to field its top chairman, David Walker, UKOAA's president and chief executive of BP Petroleum Development UK; Mr Malcolm Ford (vice-president, Scotland), board member of British National Oil Corporation responsible for exploration and production; Mr Charles Spruell (vice-president, England), chairman and president of Mobil North Sea; and Mr George Williams, the association's director general.

It is understood the association, which represents leading North Sea operators, is to press the Chancellor to make last-minute amendments to the Finance Bill, going through Parliament, and to consider more fundamental changes to the next Budget.

In recent weeks several operating groups have sent the Treasury and Inland Revenue details of the way changes in the structure of North Sea taxation, proposed in the last Budget, would lessen the economic attractiveness of various offshore projects.

Up to now the Chancellor has said it is falling oil prices, rather than taxation, that is holding up some of the offshore projects. Like Shell's Tern Field and British Petroleum's Andrew discovery, Sir Geoffrey has also reminded the industry that the Government intends to phase out Supplementary Petroleum Tax—as requested by the industry—and is also trimming the top rate of taxation.

It is thought that the industry is finding a good deal of sympathy for its view among officials and ministers within the Department of Energy. The Department's Offshore Supplies Office, responsible for encouraging business among UK manufacturers and service companies, is known to be concerned about the reduced number of orders placed by oil companies.

Energy Review, Page 8

Failures hit SE compensation fund

BY JOHN MOORE, CITY CORRESPONDENT. THE CRASH of two stock-brokers had a dramatic impact on the Stock Exchange's compensation fund. The details are revealed in the latest accounts of the Stock Exchange for the year ending March 1982.

Claims for £900,000 were paid after the collapse of Norman Collins and £1.8m after the collapse of Hedderwick Stirling Grumbar. So serious were the collapses and the size of the claims that advances from general reserves were necessary so the compensation fund could meet claims.

Recoveries from the estates of defaulting firms received during the year reduced the level of advances from general reserves to £1.3m. Since the year end these general reserves have been re-imbursed by a second dividend of £700,000 from the liquidator of Hedderwick Stirling Grumbar.

It is expected that all advances from general reserves will eventually be recovered when further dividends are received from the estates of failed firms.

In its last financial year the Stock Exchange made 3,267 inquiries into share price movements—most were readily explained. Some 105 price movements were discussed in detail with the brokers to the relevant company.

Some 56 dealing inquiries were carried out and the results of 21 inquiries were passed to the Department of Trade for further investigation. Three prosecutions were then brought under the insider trading provisions of the Companies Act 1980. One jobber has already received compensation from the accused.

Following the row over proposed increases in commission charges by stock exchange members earlier this year Sir Nicholas Goodison, the Stock Exchange chairman, says in the accounts that "discussions with users will continue. Certain points of argument are still open," and new scales will be kept regularly under review.

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Rail-car maker may shed 400 jobs

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT. METRO-CAMMELL, the Birmingham-based railway car supplier, has told union leaders that up to 400 jobs must go—about one-third of the manual workforce.

The company blames a fall in domestic demand, particularly from London Transport. By October, exports will account for 100 per cent of output.

The job cuts mark a sharp reversal for a company which has achieved dramatic growth over the past five years. Employment at the Birmingham factory more than doubled, to 1,500, as the company concentrated on the growth of mass transit railway systems, particularly overseas.

Metro-Cammell announced £70m worth of orders at the end of last year in Hong Kong, to push total sales to the colony towards £300m in recent years.

But Mr Don Whitehouse, the managing director, warned at the time that a solid home base was essential to compete in international markets.

A job that home market decided when London Transport failed not to press ahead with its original order for rail cars on the Jubilee Line of the Underground.

London Transport said last night that because of the Law Lords' ruling on the Greater London Council's fares policy, it was thought demand would be sufficient to justify only 90 more cars on the Jubilee Line. The option with Metro-Cammell for an extra 78 cars was cancelled.

The order, thought to be worth about £10m, will not go into production until next year. Recently Metro-Cammell built about four cars a week for London Transport but the Jubilee Line order starting next summer will mean only 14 cars a week.

Trade unions have been told that up to 400 of the 1,500 manual workers' jobs must go by the end of the year. The company has called for voluntary redundancies, but the details are subject to negotiation. The 200 staff employees have been warned jobs might be at risk, but talks have still to open.

Employment at the sister company, Metro-Cammell Weymann, also in Birmingham, is to some extent also dependent upon London Transport.

LT's proposals for a £25m order of new buses goes before the GLC transport committee on June 23. Metro-Cammell Weymann, regardless of the LT order, expects to produce about 350 buses this year, compared with the 650 vehicles assembled last year.

Videodisc system is launched by Philips

BY JASON CRISP. AFTER massive investment in research and development, Philips has launched its videodisc system, planned for September, was now being reviewed. It, too, has been postponed before.

At a lengthy launch presentation in London yesterday it almost seemed as if Philips shared the doubts—the attempted razzamatazz was almost laden.

The videodisc differs from the fast-selling video cassette recorder in that it cannot be used to record broadcast programmes. One of the major uses for video recorders is to watch broadcast television at a more convenient time.

Videodiscs are cheaper, of better quality and can offer extra facilities than pre-recorded videotapes. There are three videodisc systems which, like the three videotape systems, are all incompatible.

Philips System is probably the most sophisticated product anyone would have in their homes. A tiny laser reads minute "pits" on a silver disc which looks like a long-playing record.

One side of the disc, which can play for up to an hour, there are 20bn pits. Philips has faced considerable problems in making the discs which require precision manufacture similar to making microchips.

Two versions of the disc player will be in the shops. The basic version will cost just under £450 and one with remote control will cost a little less than £500. Initially, there will be 120 titles from eight different companies including Polygram Video, Rank Video, EPC Video, CIC Video and Intertek. Titles range from Chariots of Fire to Ivor the Engine.

Most of the discs will cost between £16 and £18 and distributors will be able to rent them.

Meeting at De Lorean

BY JOHN GRIFFITHS. A MASS meeting of 1,500 workers at the De Lorean company's Belfast plant is to take place today to explore ways of staying off the plant's closure.

All but 200 are scheduled to lose their jobs following the announcement by the receivers that production of the controversial sports cars is to be suspended from Monday.

There is no prospect of redundancy payments for the workers, whose alternative work prospects are bleak in Northern Ireland where unemployment is running at 15.7 per cent overall. One worker in two is out of a job in area close to the plant.

Mr John Freeman, of the Transport and General Workers' Union, has called for an immediate meeting between Mr James Prior, the Northern Ireland Secretary, Sir Kenneth Clark and Mr Paul Sheehy, the receivers, to discuss possible further financial assistance to the company.

However, Mr Prior has said repeatedly that the £67m the Government has sunk into De Lorean will not be increased.

Talks are understood to be continuing between Sir Kenneth and a group of UK-based potential investors. There were indications that a small consortium of City financial institutions were considering injecting up to £15m.

O Sheehy and Drewry, the specialist municipal vehicles maker, is closing its satellite plant at Eaton Square, Cambridgeshire, and transferring its activities to the main works at Leitchworth, Herts.

Belgian ferry group wins appeal to possess vessel

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT. A BELGIAN ferry operator has won a court battle over possession of a vessel that was chartered to it by the Swedish owners in breach of a previous charter to a Canadian company.

The Court of Appeal held yesterday that Regie Voor Maritiem Transport should be allowed to continue operating the Stena Nautica, owned by Stena Line, of Gothenburg, on the Dover-Ostend route, for the rest of the Belgian charter.

Regie was also entitled to exercise an option in the charter to buy the vessel for \$15m (£3.3m). The court overturned a judgment of Solomon in which Mr Justice Parker had held in the Commercial Court that Regie should have the vessel for the next two years, but after that the Canadian company, C. N. Marine, should be allowed to buy it for \$11.5m (£2.6m), in accordance with the terms of the Canadian charter.

C. N. Marine had challenged that ruling, arguing that it should be allowed to use the Nautica this summer. Regie cross-appealed, contending that it was entitled to the full benefit of its charter, for two years from last February, with options to extend for a further year and to purchase the vessel.

Brittan sees chance of reduced price rises

BY JOHN ELLIOTT, INDUSTRIAL EDITOR. MOST nationalised industries should be able to avoid introducing price rises significantly in excess of the rate of inflation, Mr Leon Brittan, Chief Secretary to the Treasury, said yesterday.

This was because the impact of a gradual return to economic pricing and the effect of oil price rises on energy costs had now "largely worked through the system."

"Although there may still be real price increases to come in the energy sector, it should from now on be possible for most of the industries to avoid further increases significantly in excess of inflation," he told the economic committee of the Engineering Employers' Federation.

His speech illustrated that the Government is continuing with its tough approach to nationalised industries' financing and control.



THE TOTAL out of work in the UK, including school-leavers, fell by 38,000 in May to 2,97m. Some 35,500 adults left the register, and the rest were school-leavers. However, after adjusting for the usual seasonal fall at this time of year and excluding school-leavers, the total continued to rise to 2,57m, an increase of 22,000.

The increase in the seasonally adjusted figure for the country as a whole was 0.75 per cent compared with the previous month. The areas with a faster rate of increase than this were Northern Ireland (1.7 per cent), Yorkshire and Humberside (1.15 per cent), the North (1.7 per cent), and Scotland (1 per cent).

Hopes raised for Highlands' industrial casualties

NEW LIGHT was shed yesterday on attempts to resuscitate two major industrial casualties of the Scottish Highlands—the pulp mill at Fort William and the Invergordon aluminium smelter.

The pulp mill was closed by Wiggins Teape in November 1980 with the loss of 450 jobs and the smelter shut last December with the loss of 850 jobs.

Life bonds lobby fails

BY ERIC SHORT. THE Life Offices Association and Associated Scottish Life Offices, the life companies' professional bodies, have failed to persuade the Inland Revenue to act immediately on "second-hand" life bonds, a form of tax-avoidance.

Where an individual buys a life bond direct from a life company the profit is subject to higher-rate tax. Where the investor buys the bond from an independent third party, however, it is an asset, not a life policy, and subject to capital gains tax in the same way as buying second-hand furniture.

New indexation of capital gains tax rules favour second-hand bonds for higher-rate taxpayers. This, in effect, means they can receive high levels of income free of tax.

Members of the two professional bodies are encouraged to use the tax concessions on life contracts designed and not in artificially designed packages to avoid the purpose of the concessions. They have abided by this gentlemen's agreement.

Some life companies not members of the association, however, feel no such inhibitions. They encourage marketing of second-hand bonds. Most of these companies have kept a low profile in their information to brokers. Some organisations, however, in the absence of Revenue action, are now marketing the bonds openly. Member-companies have lost business to non-members.

Yesterday, Mr Robert Cowan the new chairman of the Highlands and Islands Development Board said last year had been the board's most difficult year.

The board had recorded a loss of 7 per cent on its last financial year, the first since its formation in the 10 years up to last December had reached £12m at 1981 prices. This aid had created or retained an estimated 20,000 jobs in 5,400 projects.

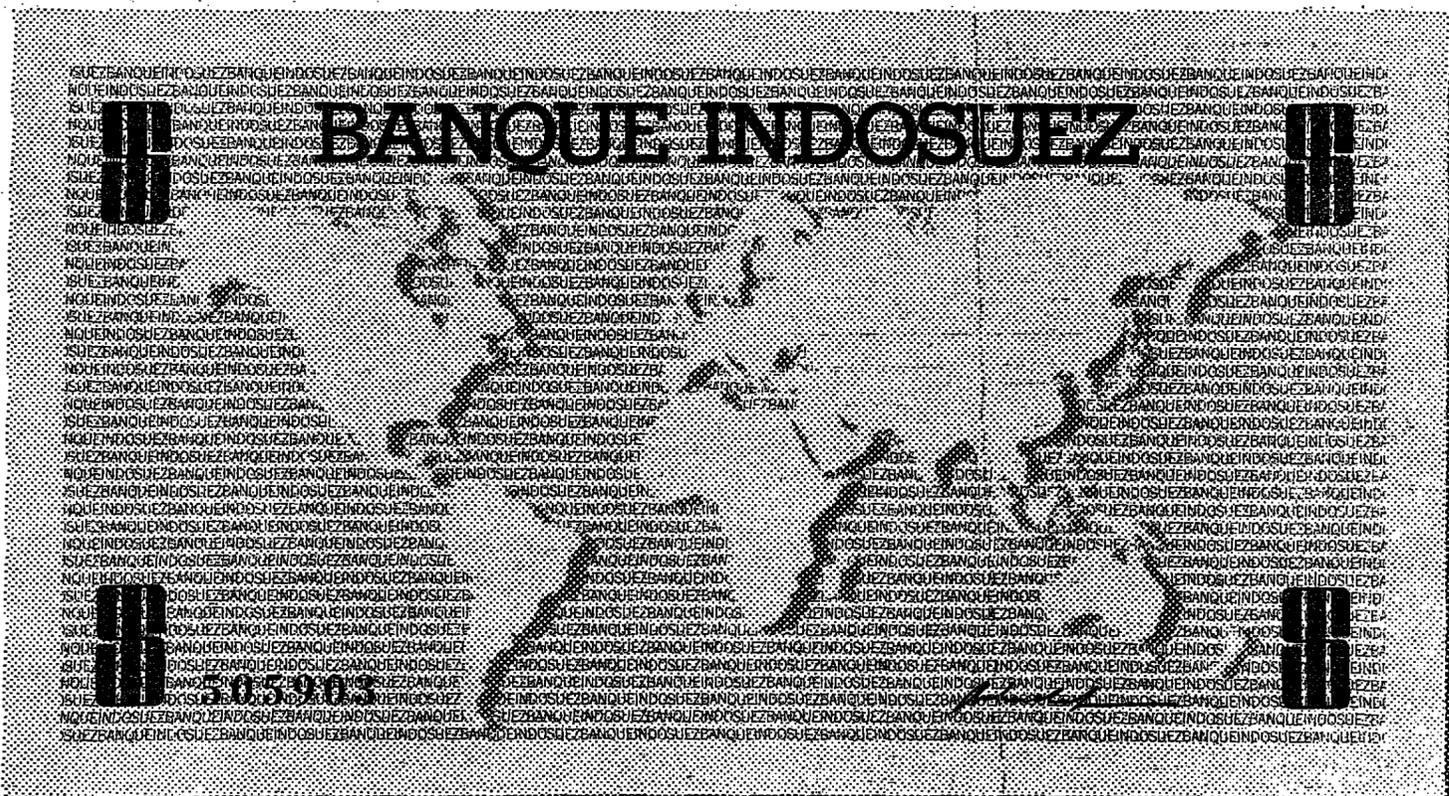
Mr Cowan said that in the future the board would place more emphasis on encouraging smaller industries and would aim to reduce the Highlands' vulnerability to recession by "widening the mix of industries."

The annual report shows that although the service sector has been less affected by the recession, tourism, a key Highland industry, nevertheless declined. Last year the number of overseas visitors fell by 7 per cent.

WOGAN HINTS spells SUCCESS

Handwritten signature or note at the bottom right of the page.

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UK NEWS - PARLIAMENT and POLITICS

THATCHER RULES OUT FALKLANDS NEGOTIATIONS UNTIL ARGENTINES PULL OUT

UN call for ceasefire will face British veto

BY IVOR OWEN

BRITAIN will not enter any peace negotiations and will veto any UN Security Council resolution calling for a ceasefire until Argentina's troops are withdrawn from the Falklands, the Prime Minister stressed in the Commons yesterday.

Tory MPs cheered her firm stand on these issues, which was coupled with a denial that she is at odds with Mr Francis Pym, the Foreign Secretary, over the next moves to be made on the diplomatic front.

Mrs Thatcher brushed aside attempts by Mr Michael Foot, the Opposition leader, and other Labour MPs to highlight differences between her position and that taken up by Mr Pym in last Thursday's debate on the Falklands crisis.

She pointed out that the Foreign Secretary, seated some distance away from her on the Government front bench, had recently made five different speeches reflecting changing circumstances.

For this reason, it was not possible for her to answer with a simple "Yes" when asked if she agreed with any one of them.

The Prime Minister hit out at Labour MPs who interpreted her words as an admission that Mr Pym was constantly being forced to change his view.

It would have been amazing, she said, if circumstances had not changed.

MR JOHN NOTT, Defence Secretary, acted yesterday to consolidate the wave of public support for the families of Falklands battle casualties by setting up a South Atlantic Fund.

MPs, press and public have been pressing for some sort of organisation to "tidy up" the expected flow of funds and avoid some of the problems which arose because of vast donations following the Penlee lifeboat disaster.

But with the Falklands action continuing it is by no means clear what the relatives' needs will be, and which service charities should benefit.

The South Atlantic Fund, which will be governed by trustees not yet appointed, will act as a sort of "suspense account" to hold money to be shared ultimately among the various service and merchant navy charities.

Defence Ministry officials are sure the needs will become apparent later on, and that if money is held in a central account it will be easier to organise a proper share-out.

They are anxious, too, that money should not be sent to newspapers or organisations which may not be properly equipped to handle the flow.

All donations should be sent to: The South Atlantic Fund, Ministry of Defence, Archway

To cheer from Government supporters, Mrs Thatcher told her critics on the Opposition benches: "I agree with the Foreign Secretary's speeches and he agrees with mine—totally unlike the Labour Party."

The Prime Minister also gave a hint that Mr Rex Hunt, the Governor of the Falkland

Block South, Old Admiralty Building, London SW1A 1BE.

In the Lords, the Government announced that war widows and disabled servicemen are to be granted new rights in claiming housing benefits from local councils.

Town halls will be legally bound to disregard war widows' pensions and war disablement pensions in assessing entitlements to rate and rent rebates and allowances, the Earl of Avon, Social Security spokesman, told Peers.

The new duty will replace local authorities' discretionary powers to consider the pensions in assessing benefit rights, he said during the Report Stage of the Social Security and Housing Benefits Bill.

"The Government wholeheartedly agrees that local authorities should be able to disregard war pensions completely when they assess claims," he said.

"There is nothing economic or political in this," Lord Avon said after calls for the move came from all sides of the House.

He stressed that councils had always been free to disregard war pensions. The right was simply being guaranteed.

A change would be introduced to the Bill at a later stage to effect the decision, he added.

Islands, may soon be leaving for the South Atlantic.

She told Sir John Biggs-Davison (Con, Epping Forest), who suggested that the Queen's representative should make an early return to liberated British territory, "that is a matter under consideration."

Mr Harvey Proctor (Con, Basildon) warned that in view

restore British administration.

She envisaged that after they had been repossessed a good deal of reconstruction would need to be done. Then the future would have to be discussed with the islanders.

"I shall be amazed if they are not now more hostile to Argentina than before," she said.

Mr Martin Flannery (Lab, Hillsborough) advocated a cessation of hostilities so that there could be discussions of the future sovereignty of the islands, possibly under the aegis of the United Nations.

He also questioned the "confident assertion" by Mr John Nott, the Defence Secretary, on Monday, that the days of the Argentine garrison on the islands were numbered.

Some people, he said, might think that the Defence Secretary had over-estimated.

Mrs Thatcher retorted: "Do you not want those days to be numbered?"

She argued that a ceasefire would leave the invader in occupation and the whole paraphernalia of tyranny in place.

Mr Sydney Bidwell (Lab, Southall) suggested that consideration should be given in the longer term to allowing some Argentine families to live on the Falkland Islands.

Foot faces leadership challenge from left

BY ELINOR GOODMAN

MEMBERS OF Labour's hard left yesterday threatened to use the divisions in the Labour Party over the Falkland Islands as justification for launching a decisive challenge to Mr Michael Foot as party leader.

An editorial in London Labour Briefing, a magazine edited largely by supporters of Mr Tony Benn, accused Mr Foot of adopting a "pathetic and hypocritical" position.

It claimed that many would now feel "quite justifiably" that Mr Foot was not the right man to lead Labour into the next General Election. His role in the whole Falkland Islands affair it said had been "ludicrously damaging to the Labour movement."

The magazine said this year's annual conference would be the last opportunity to replace Mr Foot before the election. Pressure, it said, was bound to grow for someone to come forward and challenge him for the leadership as "such weak, decrepit and clapped-out leadership was an electoral liability."

The obvious candidate for the far left to run against Mr Foot would be Mr Tony Benn, who has throughout the Falkland Islands crisis attacked the shadow Cabinet's support of the Task Force, but Mr Benn has apparently made it clear, to those who organised his bid for deputy leadership last year, that he does not at present want to be involved in any challenge to Mr Foot. Many of those who backed him for the deputy leadership last year share this view.

Nevertheless, the editorial is symptomatic of the anger among some party activists with Mr Foot's handling of the Falkland Islands situation. Over the last few weeks, several activists have been saying privately that Mr Foot's attitude could justify a leadership challenge.

In the past, London Labour Briefing has put very heavy pressure on MPs to follow their line and the editorial could well point to problems ahead for Mr Foot.

It claims that Mr Foot's weak leadership was also apparent in the council elections where his national unity stance actually encouraged those who felt they had to use their vote to express support for the Government and its national war effort.

In a passage which many MPs will regard as particularly offensive it argues that "the blood that has been spilled is on the hands of those Labour MPs who supported the Government."

The general tenor of the editorial seems certain to add to the tension between Labour MPs and the hard left, and reopen the divisions which were so carefully concealed in the run up to the May local elections.

Labour's shadow cabinet and the party's national executive committee agreed yesterday to look again at the state of the 500-page Labour Programme for 1982, now in the process of being endorsed by the executive as a preliminary to putting it to this year's party conference.

Mr Foot said the shadow Cabinet wanted to know more about the state of the document

Opposition rifts deepen Labour's class war of raw nerves

BY PETER RIDDELL, POLITICAL EDITOR

THE FALKLANDS crisis has touched raw and deep nerves within the Labour Party over the use of armed force, and has intensified existing divisions, notably about the position of Mr Tony Benn.

Labour has never been particularly comfortable with anything to do with armed conflict because of the party's long commitment to disarmament.

Indeed, the Ministry of Defence has, with the exception of Mr Denis Healey, usually been a side-turning, rather than a route to the top for Labour politicians.

Faced by the fact of war, Labour has had to reconcile disparate strains of neo-pacifism and a willingness to use force if necessary—as in the Second World War and the Korean War.

Some observers—George Orwell in his war-time pamphlet *The Lion and the Unicorn*, for instance—have seen a contrast between working-class patriots and rootless middle-class intellectuals. There is something of this in the current Labour debate over the Falklands.

The core of Mr Foot's speeches has been the role of the UN. He might have found an acute dilemma because of the escalation of military conflict, if the choices had not been simplified by the breakdown of talks last week. As it is, Labour leaders are against insistence on unconditional surrender and for further negotiations.

Labour may be reassured that, despite its poor results in local elections this month, its showing in opinion polls seems to have bottomed out at about, or a little more than, 30 per cent.

Strong views of the activists

How far the balance in Parliament is reflected in the party as a whole is impossible to say. Many MPs, on the left and on the right, say that working-class views in their local Labour clubs are often strongly in favour of the task-force and against Mr Benn. However, the views of the activists who run constituency parties, especially in the big cities, appear much more hostile to the use of force—to judge by various left-wing weeklies, for example.

The dilemma for Labour is that summed up in Antonio Bevan's comments at the time of Suez, as reported by the late Richard Crossman: "If we do not take care, we shall turn the working class against us. There is no reason why, in attacking the Tories, we should commit ourselves to the view that all UN decisions must be accepted and that all recourse to force must be opposed as aggression."

What makes the Labour Party go wrong in foreign affairs is that it takes its policies from middle-class intellectuals, devoid of antennae and with a dreadful habit of falling down and worshipping abstractions.

In favour of more sanctions

Any simple categorisation of views along traditional left/right, unilateral/multilateral lines is misleading.

Analysis starts at the 33 MPs who opposed Government policy in a Commons vote last Thursday, against the party leadership's advice to abstain. That number is probably less than all the so-called peace party in Labour, which opposes the sending of the task-force and favours intensified economic sanctions against Argentina. This is partly because many MPs were not at the Commons that day.

More than 80 MPs supported an earlier motion, sponsored by Dame Judith Hart, to call for an immediate truce, though this was worded so as to attract the widest possible support.

The 33 MPs are a far from homogeneous group, though they include a significant number of Scots. They certainly take in the hard core of Mr Benn's supporters in parliament but also include people of notably independent mind, such as Mr Tam Dalglish and Mr Andrew Faulds—the latter priding himself on not being a member of the "loony left."

Within the shadow Cabinet, Mr Eric Heffer, no friend of Mr Benn, sympathises with the group's general approach.

At the opposite end of the spectrum, there is a sizeable group which strongly supports the Government's approach and is sharply critical of Mr Benn. This group cannot be identified, though prominent among them are Mr Peter Shore, the Shadow Chancellor and personification of the English-patriot strand in Labour, and Mr James Callaghan. The group also includes many working-class MPs with war service.

There has been little difference in practice between this group and the majority of the party, which follows the lead of Mr Michael Foot and Mr Healey

Poll shows Ulster majority for Prior plan

BY MARGARET VAN HATTEN, POLITICAL STAFF

MOST OF the people of Northern Ireland want devolved government and support the idea of an elected assembly with a power sharing executive, according to an opinion poll published in the Irish Times.

The poll provides much-needed ammunition for Mr James Prior, the Northern Ireland Secretary, in his battle to get his devolution Bill through Parliament. It contounds the arguments of many of his critics on the Tory back benches, who say his plans are doomed to failure since the vast majority in the province oppose them.

The poll finds that 60 per cent of the 1,000 adults surveyed want a new elected assembly; 33 per cent strongly favoured the idea and 27 per cent are "somewhat in favour."

16 per cent oppose it. These are mainly Catholics living in the Belfast area.

On the more contentious question of power sharing, involving an institutionalised share of power between Unionists and Nationalists, 35 per cent were in favour and only 21 per cent opposed the idea. Significantly, the sectarian breakdown of the figures shows that 45 per cent of Protestants favour power sharing, 24 per cent are undecided and only 29 per cent oppose the idea.

Given a range of alternatives to an elected assembly, however, 35 per cent of the sample opted for integration with Britain, 25 per cent for a continuation of direct rule, 14 per cent for federation with the Irish Republic, 9 per cent for an

independent North Ireland. Only 17 per cent found none of these alternatives acceptable.

The sectarian breakdown showed, not unexpectedly, that almost half the Protestants wanted integration with the UK while 29 per cent wanted continuation of direct rule. More surprisingly, only 9 per cent of Catholics wanted federation with the Irish Republic while 40 per cent opted for continuation of direct rule.

The poll, conducted in 88 centres across Northern Ireland in the second week of May, is an interesting pointer to the make-up of the assembly likely to be set up this autumn if Mr Prior's plans proceed.

Indications are that the two hard-line Unionist parties—the Official Unionists and the Demo-

cratic (Paisleyite) Unionists would together win 60 per cent of the seats while the moderate Unionists of the Alliance Party would win 17 per cent.

This would take the combined Unionist parties well over the 70 per cent trigger needed to send any agreement concluded in the assembly to Westminster for approval.

The Social Democratic and Labour Party, the only major nationalist party, could expect only 18 per cent of the seats, so that without the support of the Alliance, it could not block the process. On the other hand, the mere 19 per cent support of the DUP indicates that the Rev Ian Paisley would have no chance of imposing a veto without the support of the Official Unionists.

New blow for N. Ireland devolution Bill

BY MARGARET VAN HATTEN, POLITICAL STAFF

THE LABOUR PARTY has indicated that it will oppose any attempt by the Government to impose a guillotine on Mr James Prior's Northern Ireland devolution Bill.

This could seriously compound the Government's difficulties in getting the Bill through parliament. Tory backbenchers opposing the Bill are convinced they have the tacit support of the Prime Minister and are lobbying energetically for a prolonged filibuster during the Committee Stage, which begins in the Commons tomorrow.

However, Mr Prior remains determined that the Bill should go through in the current session of parliament, and is expected to insist on a guillotine if it proves necessary.

Indications are that the Government Whips are preparing for a very close vote on a guillotine motion, but are determined to force it through. They appear likely to have the support of the Liberals and Social Democrats.

Labour broadly supports Mr Prior's underlying strategy but has strong reservations on some of the Bill's provisions, and insists it would reconsider its position on a possible guillotine only if substantial amendments were conceded in advance.

At the same time, Labour MPs concede that it would be politically impossible for the Government to concede these amendments and retain the support of the vast majority of its own backbenchers.

employed for three of the previous six years.

The new arrangement, foreshadowed in the Budget, is intended to remove this anomaly and make it easier for them to get work experience in the building industry.

When it comes into effect in December a period of full-time education or training will be taken into account.

Mr Nicholas Ridley, Financial Secretary to the Treasury, has added a clause to the Finance Bill to bring the changes into effect.

Tax certificate change to benefit school leavers

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

CHANGES were announced yesterday which make it possible for school and college leavers to become self-employed sub-contractors in the construction industry without having tax deducted from the payments they receive.

At the moment the tax is deducted at source unless the sub-contractor holds a special tax certificate.

But in order to obtain a certificate which allows the tax to be paid at the end of the financial year a person must have been continuously employed or self-

employed for three of the previous six years.

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Support for alteration in local government finances

BY RAYMOND SNOODY

MR TOM KING, Minister for Local Government, said yesterday that of 1,130 submissions to the Government's Green Paper on financing local government only 40 were in favour of the status quo.

He told the Commons Environment Committee that there was a wide consensus for change. The submissions were being analysed.

Mr King said he was looking carefully at arguments by many councils and local government specialists in favour of supple-

menting the rating system with a local income tax. Such a combination would boost local revenue capacity and increase local autonomy.

A programme of comprehensive and substantial reform would stretch over more than one Parliament and it was highly desirable that it should have a wide degree of public and bipartisan support.

The Liberals and SDP had submitted papers but the Labour Party "did not feel it appropriate

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BEACONSFIELD BY-ELECTION

Conservatives set to sail home on a surging tide of patriotism

BY ELINOR GOODMAN, POLITICAL CORRESPONDENT

AFTER ABOUT an hour accosting people in a Beaconsfield shopping street, I eventually came across, rather in the manner of an entomologist discovering a rare species of butterfly, a man who described himself as a "lifelong Liberal."

He had, he said, voted Liberal since 1959. But this time, he wasn't sure. As a military man, he said, he was thinking of supporting the Government.

Such is the tide of pro-Government feeling generated by the Falkland Islands crisis, which faces the Liberals and Labour in tomorrow's Beaconsfield by-election. The issue has dominated the campaign to the exclusion of practically everything else, and left the other parties impotently fuming about the Tories' "wrapping themselves in the Union Jack."

The Liberals, who only two months ago thought they had a good outside chance of overturning the Conservatives' 21,495 majority, would now be relieved to come an "honourable second" which means cutting the majority to under 10,000.

The Labour Party, which never expected to do anything but badly in this true blue corner of southern England,

would claim a success if it managed to push the Liberals into third place.

The Tories insist, in a statesmanlike manner befitting the situation, that they have not been cashing in on the Falklands crisis. But to put it at the very least, the party has undoubtedly won the crisis to maximum advantage.

Its basic message has been "support your Conservative candidate and back your Conservative government," with the unspoken, but quite clearly understood, rider, "in its hour of need."

The Prime Minister herself has said in a message to the electorate now being pushed through every letter box that she hopes the electorate will "demonstrate their support for the Government's absolute response to the crisis in the South Atlantic, and for our policies at home."

In the same leaflet Mr Tim Smith, the Tory candidate, claims that the "determined resolution with which the Government has tackled the Falkland Islands crisis is indicative of the whole approach of Mrs Thatcher to every problem that Britain has faced over the last three years."

The signs are that this message has got through and that Mrs Thatcher's handling of the crisis has affected perceptions of her in other policy areas.

People talk admiringly about how firm she has been, and tell you this is just the kind of approach that is needed to solve Britain's domestic problems like unemployment and inflation. You still come across people who say they "can't



THE CANDIDATES: left to right—Tony Blair, Labour, Tim Smith, Conservative, Paul Tyler, Liberal

stand the woman" but this reaction is far less in evidence than it was during, say, the Crosby campaign.

Neither of the Conservatives' main opponents have been able to find a way of dealing with the Falklands factor. Both have tried to switch attention to other matters like unemployment, which they have insisted will remain long after the Task Force has returned to base.

Mr Tony Blair, the Labour candidate, has campaigned on the full range of Labour policies—including a non-nuclear defence policy, the alternative economic strategy, and withdrawal from the EEC.

Equally, there seems to have been little mileage in the argument—used by both the Labour and Liberal leaders when they came to the constituency—that the Falklands problem would not have arisen in the first place

He claims he would have been quite happy fighting the by-election on the Government's record on the economy alone, and has duly gone through the full gambit of the Government's policies.

He has had by no means an unqualified welcome from former Tory voters. On the doorsteps there are complaints about inflation, unemployment and rates, and these will be deflected to the Liberals. Some voters, particularly women, have also voiced reservations about what is happening in the South Atlantic.

But the Falklands issue is likely to restrict to a minimum the usual mid-term protest against the Government and discourage Tory voters from experimenting with a new party.

In what could be a sign of a longer-term change of attitude, far less people are enthusing about the "freshness" of the Alliance, and far more about its lack of policies

about unemployment and inflation in the constituency, despite its generally prosperous exterior, but the Liberals admit they have found that in the current mood of national pride, people do not want to be reminded of the things that make Britain less than Great.

Mr Smith, the Liberal candidate, has proved himself to be a competent, and politically deft, candidate.

Once regarded as a "wet," he has given up his membership of the Tory Reform Group on the grounds that he did not like the way it "sniped" at the Government.

substantial inroads into the Labour vote.

Labour campaign managers admit that their job has been made more difficult by the way the Falklands issue has reinforced the idea of a divided party.

Both Labour and the Liberals admit that the Tories will coast home tomorrow, though they disagree about who will come second. Canvassers returns suggest it will be the Liberals, though there are still a large number of "don't knows" who could go either way, depending on the news from the Falklands.

Even so, the Tories look fairly certain of a majority well into five figures.

Whatever happens, the Tories' opponents will be able to claim with some justice that Beconsfield is a freak result, and both parties were already preparing their excuses yesterday. Labour has a particularly good one in that the FA Cup Final replay in the evening may keep some voters in front of their television sets.

But freak or not, the result will be a disappointment to the Alliance, which badly needs a boost to morale. The one person who might have caused for private relief is Mr Roy Jenkins, who but for the fact that he was already a candidate for Glasgow Birkhead at the death of Sir Ronald Bell, might well have regarded Beconsfield as a much safer haven than Glasgow.

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What you're looking at is no Sea of Tranquility.

Neither is it a scene from the imagination of some science-fiction artist (although we commissioned one of Britain's finest sci-fi artists to paint it).

It is what you would actually see if the waters of the North Sea suddenly became invisible.

Silhouetted against a huge moon are the four giant production platforms that form the core of the Brent oilfield.

The Brent Field, operated by Shell, lies far out to sea, roughly halfway between Scotland and Norway, and about 100 miles northeast of Shetland.

The painting shows (from left) the production platforms Delta, Charlie, Bravo and Alpha, each towering well over 700 feet above the seabed in its steel, or concrete, socks.

They are built to withstand one-hundred foot waves and winds gusting up to 160 mph while continuing to collect oil and gas, 24 hours a day, from rock depths lying some two miles beneath the sea-floor.

Floating in the far distance (bottom right) is the drilling rig Stadrig, prospecting for oil in another part of the Brent Field.

And riding the invisible seas with contemptuous ease (top right) is the 23,000 ton semi-submersible, pipe-laying barge Semac I.

FLAGS: a major new gas-gathering scheme in the North Sea.

We used Semac I to lay one of the world's longest, largest, deepest undersea pipelines. (The painting shows the pipe being fed over the stern of the barge and trailing down to the seabed.)

The pipeline is the backbone of a major new North Sea gas-gathering scheme known to the oil industry as FLAGS: Far North Liquids & Associated Gas System.

It will enable us to bring ashore the substantial and hitherto untapped gas reserves of Brent and other oilfields in the northern North Sea.

The FLAGS pipeline, 36" across and made of steel coated with concrete, runs 280 miles along the seabed between the Brent Field and St. Fergus in Scotland.

Laying it was an astonishing feat.

The North Sea is no millpond. It is quite the most hostile stretch of water the oil and gas industry has ever tackled.

Much of the pipeline was laid in appalling weather: force 10 gales, thick fog rolling in the troughs between giant waves, zero visibility.

The FLAGS system will before long be supplying some 12% of Britain's gas needs. (The Brent Field already supplies about an eighth of Britain's oil.)

But neither statistics nor adjectives (nor the vastness of our operating costs) can ever give you a real sense of the scale and scope of our work in the North Sea.

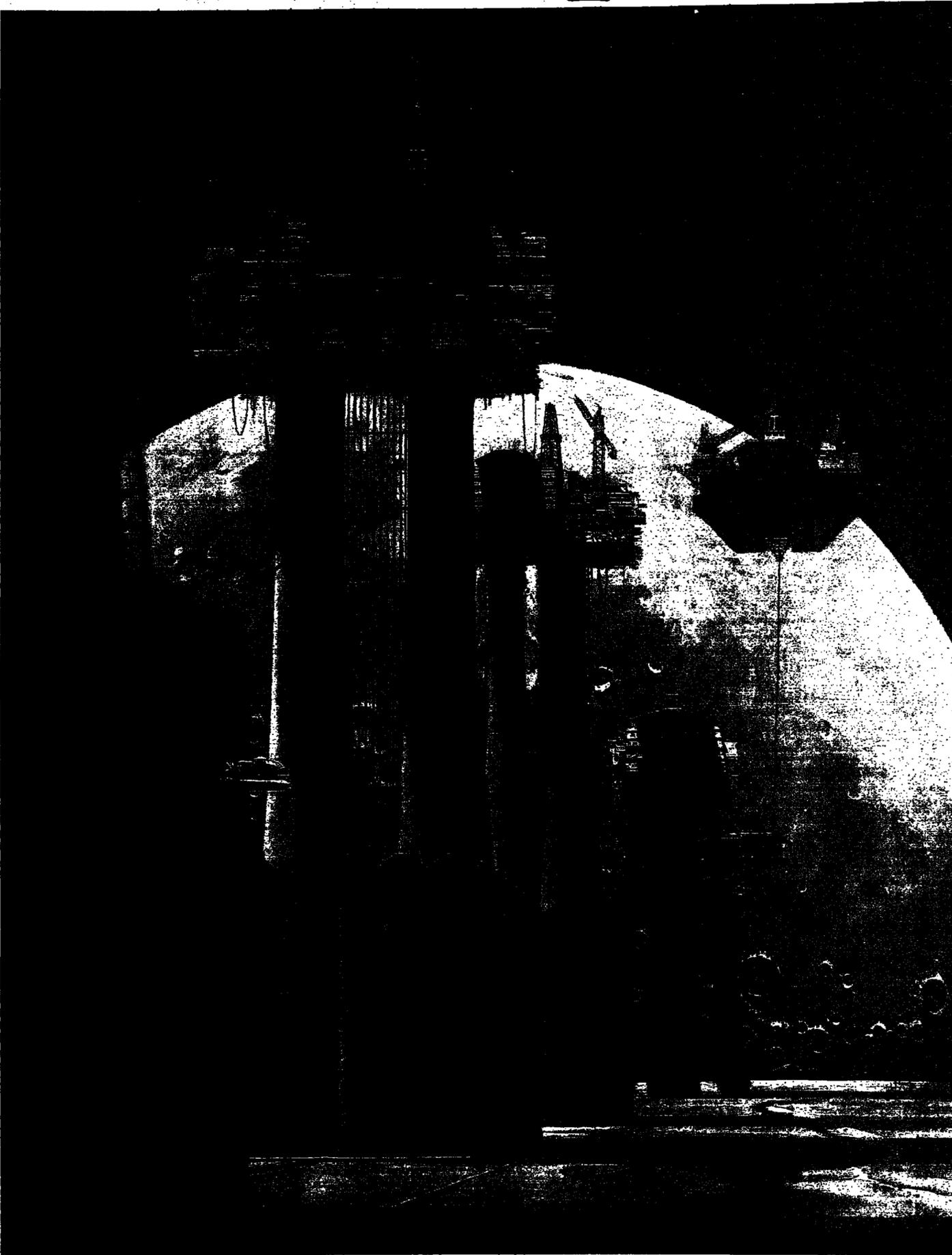
The Brent Field: an offshore oiltown.

The Brent Field, for instance, does not simply consist of the four great platforms attended by a pipe-laying barge and a drilling rig or two.

Several other giant structures (like the floating oil-storage and loading facility, Spar) are nearby. And platforms may be attended by 'flotels' (floating hotels) and semi-submersible diving barges.

Tugs, tankers and supply boats ply the surface, the latter bringing in everything from drill-pipe, cement for well-casing and drilling mud, to food and fuel.

Under the surface, mini-sub and diving-bells are at work. While in the skies, helicopters constantly come and go,



bringing in vital tools and flying drilling crews and other technicians in and out.

Our platforms and rigs are crewed by over 3,000 men, who manage to tuck away well over 100 tons of food each week.

Power to keep the big platforms working is generated by turbines similar to those which fly large jet aircraft.

Computer banks continuously receive and process information about subsea oilwells and the many working functions of each platform, key data being relayed simultaneously to the platforms and Shell headquarters in Aberdeen.

The cost of these operations is so immense that it beggars description.

One way of putting it is that Shell's expenditure in the North Sea has amounted to more than half a million pounds per day, every day for the last eighteen years.

When we add up our chequebook stubs, our total investment to date works out at more than £4,000 million in 1981 money. Those figures double when you include the sums invested by us on behalf of our partners.

A conquest to rival the moon-landings.

Although there are projects which cost more, in terms of sheer technological innovation there is no other achievement on earth to match the conquest of the North Sea.

We have pushed back the limits of technology so far that the only feat which invites comparison is otherworldly: the placing of the first men on the moon by NASA's Apollo space programme.

As a matter of fact, the computer-room that monitors our operations has a great deal in common with that famous control-room in Houston.

And Shell is proud to be in the forefront of an endeavour which only twenty years ago, would have been dismissed as pure science-fiction.



You can be sure of Shell

TECHNOLOGY

Space spin-off may unearth those hidden old masters

BY MICHAEL DONNE

DETECTING Old Master paintings that may be hidden underneath the paint layers of later, lesser works has for long been achievable by means of X-ray photography. The problem confronting art historians and gallery curators is to obtain clear enough images to enable the hidden works to be studied in sufficient detail to discover who painted them, and when. The physical separation of one layer of paint from the other is impossible without irreparably damaging one or the other of the works of art.

planetary spacecraft, this method first involves devising a computer programme in conjunction with X-ray photography to minimise the appearance of the grain pattern of the wood or canvas on which the original work was painted.

Next, a photograph of the top, visible, painting is matched with another X-ray image of the hidden under-painting. The computer detects any brush strokes from the top version that match precisely the hidden under-painting, and then "subtracts" them from the X-ray image of the under-painting. By a continuous process, it is possible eventually to eliminate most of the traces of the top painting, leaving the X-ray image of the hidden painting in greater clarity of detail.

This method ensures that there is no physical damage to either painting, while enabling conservators to study the hidden work of art in much greater detail, perhaps enabling them to identify its painter and to date it.

The technique has been used to separate and enhance

the image of a painting found to exist beneath a 17th century oil painting of The Crucifixion, by an unidentified Flemish Master, showing Christ being lowered from the Cross.

Eliminate

The under-painting, directly on to the 16 by 24 inch panel, has been found to depict a man and a woman seated at a table, dressed in 17th century clothing, in a room lit by sunlight through a window.

This method of "computer image enhancement" is expected to be carried much further, for example in helping to date old paintings more precisely. Dendrochronology, the science of dating wood, based on the number and character of tree rings, usually requires shaving part of the panel. Computer enhancement of the wood grain of a panel would eliminate the need for such mutilation.

The JPL project cost \$35,000, helped by a grant from the Armand Hammer Foundation and the California Institute of Technology's President's Fund.



Restoration, but what might be hidden beneath the paint layers? Computer image enhancement may help the world of the old masters

Computer matching for fingerprints

BY GEOFFREY CHARLISH

PRINTRAK, the computerised finger print matching system developed in the U.S. by Rock-De La Rue Company of London, a new company, De La Rue Printrak has been set up in Anaheim, California, where product improvement will continue and from where systems will be made available worldwide.

The system, which takes prints, digitises them, and then looks for a match among a large number of similarly digitised prints held on electronic file, is already operational in seven installations in the U.S., Canada (the Royal Canadian Mounted Police) and Brazil. Scotland Yard has examined this system and two others that have been developed in the UK and it is understood that they

will be ordering one of the latter. The Yard has been using for some time a system in which print images are examined on screens, the data extracted manually and subsequent comparisons made by computer after further data entry by the operator.

Many police forces still use straightforward manual comparison, which requires a great deal of manpower to achieve results quickly. According to De La Rue, the criminal fingerprint file at the FBI has grown to more than 75m cards, representing more than 21m people. Some 24,000 cards are received by the Bureau each day and about 15,000 of them must be searched against existing files. Apparently some 3,000 technicians are employed for the purpose.

Minutiae are employed for the purpose.

The Printrak equipment uses modern solid state storage and logic to make automatic comparisons of prints. First, the finger print image is read directly from card or paper input. It is scanned and each picture element in each line given a digital code, which is stored.

Minute detail can then be examined by the machine. It looks for bifurcations (splitting of fingerprint ridges) and for ridge endings and marks their positions on the image, holding them also in storage. In addition, it maps out the directions of the ridges at the above places and memorises them, too. Thus, a map is held in

store of points marked with vectors.

It then becomes a relatively straightforward matter for the computer to match this map with any other with which it is presented. Statistical correlations are carried out, so that the machines might produce, say, two or three best matches.

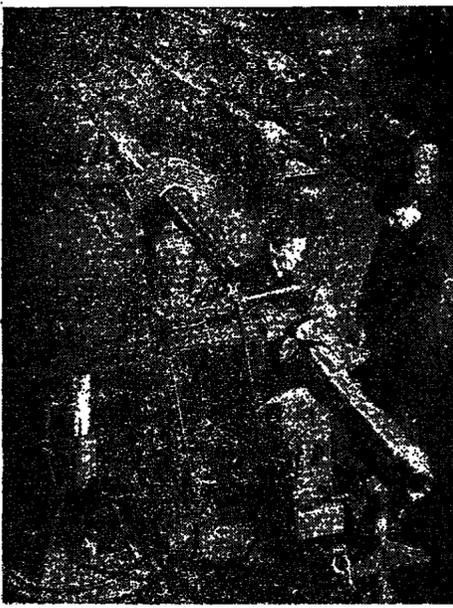
Because the system uses only a comparatively small amount of data, "boiled down" for each print, it can be sent over a telephone line to a remote location fairly quickly and cheaply.

Printrak scans each new individual print in less than one second. In that time it enhances the image to give better contrast between the dark and light areas, edits out parts of the print that are unreadable and carries out the detail plot.

Fused

Now space scientists at the U.S. National Aeronautics and Space Administration's Jet Propulsion Laboratory at Pasadena, California, working with art conservators of the Los Angeles County Museum of Art, have developed a technique of "separating" those fused layers of paint by using X-ray photography allied to what is called "computer image enhancement."

Derived from the computer processing of photographs beamed across many millions of miles of space from inter-



Jarring the oil drillers

AN ADVANCED oil-drilling tool which, it is claimed, has a combination of features not found in other equipment of its type is to be marketed in Europe by Weir Houston Engineers of Aberdeen. The company is jointly owned by Weir Pumps of Glasgow and Houston Engineers based in Dallas.

The Hydra-Jar (pictured left) is a heavy duty impact tool which forms part of the lower drilling assembly of the drill string. It delivers high impact forces to release elements which become stuck during drilling operations.

The designers say that it is the first hydraulic double acting jar table to jar up, up and down, or down only.

The unit is designed to operate in deep holes for long periods in the most severe conditions and can be used for on or offshore operations.

The Hydra-Jar is available in a range of five sizes with outside diameters from 4 1/2 to 9 1/2 in. Working loads are from 75,000 to 210,000 pounds. More from 0224 770707.

Liquid valve

THE Roll Seal valve consisting of only two components—a one-piece cast stainless steel body and an elastomeric liner—has been designed for liquid control in the chemical processing, water supply and brewing industries.

It is available in seven sizes with interchangeable flanges. Full technical details from SIBI-Ryaland Pumps (061-928 6361).

German lathe

A West German built lathe, the MSC 1.2 twin spindle model has been added to the EMAG range of CNC turning machinery by Warner and Swasey of Birmingham (021 622 1531).

The machine can accommodate chucks up to 200 mm diameter, produce components up to 160 mm diameter, and the handling system can manipulate parts up to 8 kg.

Sound cleaner

A method of cleaning venetian blinds using sound energy in dislodge grease and dirt has been announced by Galashed company, Somic Cleane. The unit costs £6,000 and machines have already been exported to Japan and the U.S.

The company is hoping to build about 350 units a year. More on 0632 898169.

Veg grader

A large capacity version of the Cranford in-line vegetable grading system has been designed with a dump/feed box section with an access width of nine feet to handle produce delivery trailers at the maximum permitted road width.

Cranford is at Mere Platt, Knutsford, Cheshire. 0565 2581.

Implanting ions at Lucas

THE Lucas Research Centre at Shirley, West Midlands, is about to take delivery of one of the first two industrial ion implantation machines to be built. The machine, which cost £100,000, was built by Hawker Siddeley and is a development of an early prototype made at the Atomic Energy Research Establishment, Harwell, and is specifically designed as a commercial industrial machine for treating engineering tools.

High energy

Lucas claims to be the only company in the world carrying out the ion implantation process.

If a steel material is subjected to a bombardment of very high energy (100 keV) nitrogen ions, a layer of "nitrogen implanted" material will build up just beneath the surface of the steel.

This layer is very hard and helps reduce the wear rate of tool materials.

Lucas reckons, for example, that a nozzle used in plastic moulding went from a life of eight weeks to one of two years (and is still in working order).

The treatment could be employed for the materials used for press tools, cold stamping tools and lamination tools as well as for plastic moulding tools.

It is suitable only for the material for some cutting tools because when a temperature of 450 degrees C is reached the ions diffuse out.

Finished tools

The advantage claimed for ion implantation is that, since ions are implanted into rather than plated onto the tool, no significant dimensional changes occur. So the process can be applied to finished tools.

Because the process is a low temperature technique, tools do not require post-processing heat treatment.

Lucas intends to develop the ion implantation process at its research centre to exploit the possibilities the initial work has already highlighted. These developments offer the prospects of reduced friction, wear and corrosion plus extensions in fatigue life.

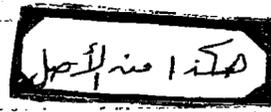
More from Lucas on 021-554 5252 extension 53.

KENNETH GOODING

Advertisement for Clwyd Trail Blazers, featuring a large image of a road and text describing the company's expansion plans and services in North East Wales.

Advertisement for Halifax Assets, featuring a large headline 'HALIFAX ASSETS TOP £12,000 MILLION' and a portrait of Sir Raymond Potter, Chairman, with text detailing the company's financial performance and mortgage services.

Handwritten signature or mark at the bottom center of the page.



A rail town fears end of the line

TWELVE O'CLOCK Outside a factory gate, few people stir in the grey Friday heat. Suddenly, from the gates pours out a stream of blue-overalled figures, who swarm across the road to the working men's club.

Inside, though, the end-of-the-week feeling is tempered by the grim reality of looming unemployment. For this is Shildon, County Durham, a town facing a death sentence.

BR already faced with further trouble from the train drivers' union over flexible rostering has envisaged the more moderate National Union of Railwaymen with its plans to close the engineering works at Shildon by April 1983, with the loss of 2,600 jobs. The NUR has given warning of its intention to take industrial action from June 7 over the issue.

The effect of the closure of "the shops" as they are universally known in Shildon, will be devastating. A new report prepared by Durham County Council estimates that male unemployment in the Bishop Auckland area, at present 17.5 per cent, will rise to 30 per cent if the shops close. In Shildon itself, it will soar from 14 to 50 per cent—the highest single mainland unemployment rate.

Shildon is a railway town in a railway area. Down the road is Darlington where George Stephenson's first train stands proudly in the railway museum. A little further on again is

Philip Bassett looks at the mood of workers as Shildon faces BR cuts

Northalerton, birthplace of the young Sid Weighell, who grew up to become NUR general secretary. Mr Weighell used to play football for Shildon's neighbour, West Auckland, and his mother still lives in Northalerton.

Shildon itself is steeped in railway history. As a brass plate hung outside the shops proclaims "from Shildon, near this site, the Stockton and Darlington Railway Company, on the 27th September, 1825, ran the first passenger train drawn by a steam engine."

Across the road from the gates stands a pub called the Locomotive. Along the way is another, The Timothy Hakworth named after the great railway engine builder.

Many of the workers in the Shildon shops followed their fathers and their grandfathers there. For many, the prospects of their sons following them was as natural and inevitable as growing up.

Now all that history is to be rudely cast aside. For the workforce—500 of whom planned a protest march in London yesterday over the closure—the feeling is one of outrage mixed with injury. In and around the large Shildon working men's club,

craftsmen proud of their work talk of Shildon's record.

They talk of its good industrial relations, and tell you how BR Engineering Ltd (BREL) invited shop stewards from Shildon to visit its other works to explain to workers there how flexibility and cost-cutting helps improve competitiveness.

The Government accepts these points. Mr Reg Eyre, Transport Minister, in a Commons debate on Shildon earlier this month said that Mr Derek Foster, Shildon's local MP, had "touched upon the efficiency of Shildon as a workshop and the impressive performance of the work people. I should like to be associated with those remarks, which are generally accepted as true and justified."

Shildon workers are calling for further investment in the railways, insisting that if rolling stock is not replaced, the system will simply collapse. They have proposed an alternative to the Shildon closure suggesting that all 13 of BREL's workshops around the country should be situated close to the work spread over them all.

Technically, this would be difficult. Wagon works, for example, cannot easily be adapted to making carriages. In any case BR argues that this

proposal would only threaten the continued viability of all the plants rather than just Shildon, Horwich in Manchester and part of Swindon, which are all affected by the present cuts.

Shildon workers blame the Government. The more cynical point to the fact that Shildon is a staunch Labour area. Perhaps significantly though, there is among them Marie of the personal venom towards Sir Peter Parker, BR chairman, which has been so clearly displayed by many BR workers towards Sir Michael Edwards over his planned closures.

Accordingly, the Shildon campaign has been about investment and about cost. Local union leaders argued that local authorities will lose about £700,000 in rates from the closure. Taking Treasury figures, they show that the cost of 2,500 long-term unemployed will be about £12.5m a year, even without the cost to BR of redundancy payments. They say the cost of winning each replacement job to the north-east will be about £10,000 a time.

Many see the example of the derelict steel town of Consett, less than 20 miles away, as a clear indication that such hard facts will not wash with this Government. Some also doubt the NUR's ability to win the campaign, and point to the failure of the union's efforts last year to stop the closure of the Manchester-Sheffield-Wath line.

But their faith in themselves and in the main in their union is strong. As Mr Roy Jones, Shildon branch secretary, said of the campaign against closure: "It doesn't take a brilliant man to take his jacket off and start throwing his weight around. What we will do we will do in an orderly way. But we will do it and we will win."

Labour 'has place for Marxists'

MR JIM MORTIMER, general secretary elect of the Labour Party, yesterday told the annual conference of AUEW-Tass that "the transformation of our society and the replacement of capitalism by socialism" were needed. There was a place for Marxists in the Labour movement, he said.

The left-wing white collar union's conference condemned the Labour Party's investigation into the Militant Tendency.

Murray steps in
Mr Len Murray, TUC general secretary, has intervened to avert a strike over pay and conditions by National Union of Journalists officials, due to begin today.

The 15 officials will be urged to accept his proposal to refer the dispute to the Advisory, Conciliation and Arbitration Service, for conciliation and possibly arbitration.

Labour elections
A report in yesterday's FT said in error that votes by Britain's "six largest unions" in future Labour leadership elections could be determined by non-payers of the political levy. This should have read the "sixth largest union," the Association of Scientific, Technical and Managerial Staffs.

Refinery action
Disruptive action by 760 process workers over an 8 per cent pay offer was begun yesterday at Esso's Fawley refinery, Hants. They are refusing to co-operate with new efficiency measures.

Health authorities tell ministers to relax tough pay policy

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE GOVERNMENT is coming under strong pressure from some regional health authority employers to relax the tough line on health workers' pay which has provoked the current industrial action.

This clear support for the unions' case from such an unexpected quarter will severely test ministers' determination to resist the increasingly disruptive strikes by the 14 national health service unions.

The North-West Regional Health Authority, has been the most forceful critic of the Government's line.

The authority put its views to other regional authorities at a recent meeting in London. It is understood that many were in agreement with the North-West.

Sir Sydney Hamburger, chairman of the North-West authority, wrote to Mr Norman Fowler, Health Secretary, after meeting the region's 19 district authority chairmen. They unanimously instructed him to have expected that those lower down the pay scales would have got more and those higher up

would have got less. The Government had in fact taken the opposite course.

Health service union leaders yesterday attempted to repair the apparent split over tactics in the current dispute which followed Monday's decision by the National Union of Public Employees to press for an all-out strike.

The differences are still expected to emerge at today's meeting of the TUC general council but yesterday Nuppe and the General and Municipal Workers' Union, which attacked Nuppe's strike decision, tried to present the row as a misunderstanding which would not impair the unprecedented unity of the 14 unions in their campaign for a 12 per cent increase.

Further support for the NHS workers is expected to be announced today by Nuppe leaders who will disclose at the union's conference in Scarborough that the Fire Brigades Union has promised support "both physically and financially."

But the executive report on the Household Delivery Service of commercial literature was accepted despite objections from many delegates. The report recommends accepting payment of £12 for every 1,000 items delivered. An amendment calling for local branch consultation was accepted.

A special report on increasing the productivity of postal officers and postal assistants was also narrowly accepted.

BR says workshop cuts essential

THE CASE put by British Rail Engineering Ltd (BREL) for the loss of 6,000 jobs out of a total 34,500 is stark but simple. "We are carrying 6,000 people too many on the basis of forward ordering," says Mr Alan Dunkley, BREL personnel director. "The question is, how is the misery to be spread?"

The preferred option of BREL managers is the closure of Shildon (2,450), withdrawal of rolling stock repairs at Horwich (1,850), reduced levels of activity and manpower at Swindon and Derby locomotive works (1,500 and 400 respectively).

The implementation of this option, they claim, will save BREL £50m between 1983 and 1986—after taking into account £20m redundancy costs and £18m a year after that date. Spreading the cuts over the 12 BREL workshops, as the Shildon workforce proposes, would be very much less advantageous, says management.

The overcapacity throughout the engineering group, which is particularly evident in the wagons section, has not occurred overnight. The problem began to surface in 1980, when it was proposed to close the Ashford workshop in Kent, which was carried out recently.

It has fallen to Mr Philip Norman, managing director of BREL for only a few months following his departure from the machine tool division of John Brown last summer, to push through the most painful part of the programme, particularly the closure of Shildon. BREL, a wholly-owned sub-

siidiary of British Rail, exists mainly to serve its parent. It has had some success in winning exports, but the competition is tough and its prices frequently out of line with those being offered by developing countries like India which have their own railway-building industries. Only 5 per cent of BREL's business is for export, although the aim is to push this up to 15 per cent within a few years.

The workload consists of maintenance and repairs, and the building of new locomotives,

We are carrying 6,000 people too many, says a BREL personnel director. Hazel Duffy reports

carriages and wagons. About £30m of the group's £480m turnover is maintenance and spares, and 80 per cent of the workforce is engaged in this sector.

BREL says that the switch to more sophisticated equipment—locomotives, passenger and freight carriages and wagons—has led to a drop in the need for maintenance and repairs. This is because the fleet itself has been reduced—the High Speed Train, for instance, averages four times the mileage annually of the conventional diesel main line loco—and the equipment itself needs less maintenance.

Passengers may remember that a few years ago BR was suffering from severe problems because its workshops lacked sufficient capacity to maintain the locomotive fleet, but these locos have now been largely replaced.

The overcapacity problem is particularly acute for wagons. BR has a wagon repair capacity of 35,000 (Shildon alone has the capacity to repair 20,000 wagons a year) and a forecast requirement by 1986 of only 8,000-9,000. There are no orders for new wagons for next year, and beyond that, says BREL, future needs are insignificant in relation to capacity.

Shildon, which has been commended for its efficiency in the past and made a net profit of about £730,000 last year, will make a small loss in 1982 and a £2.2m loss in 1983. The redundancies at Horwich arise mainly because it has taken overloads in the past which are no longer necessary. Only the foundry and spring shop will be retained.

The one area where BREL might find new markets, as well as exports, is the privately-owned wagon sector where BREL has supplied only 250 out of 1,300 wagons bought in the last three years. But, says BREL, in the main it cannot compete because most are of a specialist design well suited to the privately-owned wagon builders.

BR, desperately looking for workforce cuts as a way of boosting efficiency at a time when changes in working practices have been largely unattainable, will keep looking to BREL to achieve some of these cuts.

More councils face privatisation action

BY JOHN LLOYD AND BRIAN GROOM

A CAMPAIGN of industrial action in local authorities which use private contractors for their services has been agreed by the General and Municipal Workers' Union, the main local authority manual union.

The GMWU's stance, taken together with a similar decision by the National Union of Public Employees at its conference in Scarborough, is a boost to 200 craftsmen in the London Borough of Wandsworth. They are in the sixth week of a strike over the Conservative-controlled council's privatisation plans.

An emergency motion to the GMWU's annual conference in Eastbourne yesterday authorises the union's executive to "call for supportive action in our public services and utilities membership... to ensure a

speedy and successful conclusion to the dispute."

An all-out strike by Wandsworth's 3,000 manual workers may close all services from next Monday if the council tomorrow night endorses a decision by its establishment committee to dismiss strikers.

Strike leaders claimed yesterday that up to 600 manual workers were now on strike. Some 3,000 flats were without hot or cold water, the strikers claimed.

The strikers also believe the action will spread across London. Mr Ian Scott, Nuppe district official, has sent a letter to branches asking them to draw up plans in support of Wandsworth. Strike leaders say they have already received some promises of action in sympathy with them.

Union puts 2-year ban on former president

By Our Labour Correspondent
LEADERS of the National Union of Public Employees have suspended the union's immediate past president from holding any union office for two years following allegations that his conduct had brought the union into disrepute.

The unprecedented row within the union over the suspension of Mr Philip Jones, last year's Nuppe president and a long-standing member of the union's executive committee, is likely to be raised today by delegates at the union's rules revision conference in Scarborough.

Mr Jones is appealing against the suspension. His branch, Birkenhead General, is also appealing against it—though on the grounds that the disciplinary action against him did not go far enough and that he ought to have been expelled from the union.

The main cause of the charges against Mr Jones and another member was that he tried to set up another branch of the union in direct competition.

This allowed a considerable period of strain between the branch and Mr Jones, who was branch secretary and chairman of his Wirral Nuppe district committee. Left-wing branch members disagreed sharply with Mr Jones' more moderate political stance.

This led to his own branch refusing to nominate him for election, and instead backing a rival candidate, Mr Stephen Balmer, who broke with a long-standing practice by challenging Mr Jones for the seat.

Mr Balmer was eventually elected by 277 votes to Mr Jones' 215.

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NATIONAL INSTITUTE REVIEW

Recovery from recession 'is the weakest upturn for 25 years'

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE MODERATE recovery in economic activity which began last spring came to a stop in the winter, but this does not mark the beginning of a downward trend, says the NIESER's May review, published yesterday.

The institute's post-Budget forecast continues the sombre themes of its previous forecasts — that recovery will be extremely weak, that unemployment will continue to rise and that real take-home incomes will decline further this year.

The institute continues to be highly critical of the Government's monetary policies, but whereas previous reviews have analysed the need for a more deflationary strategy, the May issue includes theoretical criticisms of the basis and operation of monetarism.

Its review of the economy starts with a detailed analysis of the shape of the recovery in its first nine months compared with what happened in the early phase of previous recoveries. It notes that industrial production, which had pitched up in the summer, fell off at the turn of this year.

Although output during this period was affected by strikes and unusually severe winter weather, there was only a modest rebound — a rise of 1 per cent in February, when output was 1 per cent lower than in October and only 1 1/2 per cent

higher than its low point of May last year.

It says the pattern of forces behind this break in economic recovery is not yet clear, partly because of the continued absence of figures as a result of the civil servants' strike last year.

To put the present recovery in perspective, the institute has analysed the pattern of five previous cycles. It pinpoints the troughs of activity of these cycles in October 1958, January 1963, August 1967, January 1972 and August 1975.

The institute has followed the path of recovery of industrial output at three-month intervals after each trough and averaged the results. This shows that recovery three months after the trough of the current recession was less than half that of the average three months after the five previous troughs. Nine months after the most recent trough, industrial recovery was only a quarter of the average from past cycles.

Moreover, recovery from the recent recession has been weaker at every stage than in any of the previous five. The institute also demonstrates that the current recession has been much deeper than any of those preceding it, even that of 1975 in which output was still nearly 7 per cent below its previous peak nine months after the recovery had started.

It says the current recovery is the weakest for 25 years and adds: "There must be some doubt as to whether the period since last spring should be considered a genuine recovery at all. The decline in output between October and January has given the recession a double-bottomed appearance, with two troughs, about equally low, separated by a mild upturn."

The institute describes the March Budget as only marginally deflationary, and says the effects of its departures from "unchanged policies" were to inject about £250m into the economy in 1982/83 and £300m in a full year.

It says the most important Budget proposal was the cut in the National Insurance Surcharge by 1 percentage point, although the economic effects are difficult to predict. It believes a considerable proportion of the cut will be used by companies to rebuild their liquidity. A small stimulus to stockbuilding might be given, but there would be little effect on fixed investment.

It says: "None of the other Budget proposals is expected to have a significant effect on the prospects for the real economy." The total effect on output resulting from the Budget changes is only to add a tenth of a percent to national output, the institute believes.

It notes that the Chancellor and the Treasury have been critical of the simple approach to Budget arithmetic which tries only to estimate the immediate impact on demand of a fiscal change.

It admits that this approach ignores many complexities, but argues that the simplicity is an advantage, because it makes the economic logic of Budget measures intelligible to laymen. The alternative, subjecting Budget measures to a complicated computer analysis, is also open to objection, as the equations used for this analysis may not be specified accurately enough for the purpose.

The institute challenges the Treasury's view that policy should be seen in terms of the actual public borrowing requirement rather than a borrowing requirement adjusted for the state of the economic cycle. The institute believes that the

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The institute believes that the pursuit of unadjusted public borrowing targets has a destabilising effect on the economy. Finally, the institute disagrees with the emphasis which the Chancellor placed on the link between controlling the public sector borrowing requirement and the reduction of interest rates.

It says: "Theory would not predict a simple association between the PSBR as a percentage of GDP (output), the fiscal target in the Medium Term Financial Strategy and the level of interest rates. It says that, since public borrowing has fallen as a proportion of output during the past three years, "it is prima facie rather difficult to attribute the high interest rates of this period to the effects of Government borrowing."

Falklands repercussions

THE economic repercussions of the Falklands crisis have been small so far, says the institute. Confidence in sterling weakened in the period immediately following the Argentine occupation, when substantial Bank of England intervention in the foreign exchange market appears to have been necessary to stabilise the rate. Confidence

was subsequently restored and it is not at all obvious that the exchange rate is currently lower than it would have been. "The direct impact on UK trade of the embargo on exports to Argentina will be negligible for the aggregate (in 1980, 0.35 per cent of total UK exports went to Argentina and 0.23 per cent of imports came from there).

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Steel productivity doubts raised

PRODUCTIVITY in the British steel industry's public sector improved dramatically in recent years due to substantial investment in large-scale and technologically up-to-date plant and to cuts in the labour force. Mr Jonathan Ayles of Salford University wonders however, in a study of plant size and efficiency in the UK, West Germany and U.S. steel industries, if other factors will prevent UK productivity catching up with levels in the two other countries.

Mr Ayles estimates that by the late 1970s German steel industry productivity reached the U.S. level. UK performance was still well behind but improved in 1978 and early 1981. British Steel Corporation's productivity improved by 30 per cent, twice as fast as the German industry, while in the same

period U.S. steel productivity fell by 5 per cent. In the U.S., even though companies have not maintained investment, a high level of labour and capital productivity was sustained by competition. Mr Ayles examines both overall works size and the size of individual plant units in each works. He says management control and labour relations are perhaps most affected by works size while technical economies of scale accrue

largely to individual plant units. The median size of works in Germany and the U.S. is similar in spite of the smaller size of the German market. "It is also striking that Germany has so few small works, fewer than 200 compared with nearly 400 in the U.S. and approaching 700 in Britain."

In Britain nearly a quarter of the steel labour force is employed in works with fewer than 1,000 employees, compared with 7 per cent only in Germany.

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100 issues of Review

TO MARK the National Institute Economic Review 100th issue, five articles by former editors were commissioned, with an introduction by Mr David Worwick, the director.

He contrasts the present "turmoil of contemporary dispute" on economic issues with consensus prevailing in the 1960s. He says this harmony may seem somewhat exaggerated now.

In this environment "there is concern about the economy and a feeling that economists no longer know what they are about."

NIE Review, No 100, May 1982, 2 Deans, French St, Smith Sq, London SW1P 3HE; annual subscription £25, home, £35, abroad, single issues £7, home, £10, abroad.

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Industrial nations' growth forecast at 1/2%

BY DAVID MARSH

OVERALL ECONOMIC growth in the main industrial countries is likely to be no more than about 1/2 per cent this year, mainly because of the further postponement of the long-awaited upturn in the U.S., according to a section of world prospects in the national institute report.

An improvement is, however, expected next year, with the overall gross domestic product of the OECD area predicted to rise by 2.6 per cent.

Industry in the OECD countries may have produced less in the first quarter of 1982 than in any quarter of 1981.

Unemployment is still rising in North America and all the major countries of Western Europe, as well as most of the smaller ones.

The institute forecasts that

the increase is likely to go on for some time. OECD unemployment in 1982 is predicted at 7.7 per cent of the Labour force, against 6.8 per cent in 1981 and the average of 4.5 per cent during the whole of the 1970s.

The gloomy picture for output and employment is partly offset by better prospects for inflation. The institute expects OECD consumer prices to rise at just under 8 per cent this year, well down from 10.5 per cent last year. The rate is expected to fall to between 7 per cent and 7.5 per cent in 1983.

Lower average commodity prices this year and, in real terms, probably again in 1983 should contribute to the price improvement.

Output prospects for 1982 vary from country to country.

The institute expects growth in Japan to be faster than most forecasters are predicting—at 3.5 per cent to 4 per cent. Falls of 1 per cent to 1.5 per cent in North America will be roughly balanced by rises in Europe.

Some general revival in the second half of 1982 should boost total OECD output by the fourth quarter to 1.5 per cent to 2 per cent higher than it was at the same time last year. Growth in 1983 is forecast at between 2 per cent and 2.5 per cent for both North America and Western Europe. Higher growth in Japan is expected to push the figure for the whole OECD area to just above that range.

The institute expects the current Opec price range to remain substantially in force up to the end of next year. The average Opec price may even

recover a little towards the end of this year before settling in 1983 at a somewhat higher level of around \$35.50 a barrel.

Total demand for Opec oil this year is predicted to fall by more than 10 per cent. As a result of the oil price and volume declines, Opec export revenues are expected to fall by almost \$50bn this year following a fall of close to \$20bn.

As a group, however, Opec is still in surplus. The institute forecasts that the Opec surplus will fall to \$56bn in 1982 from \$102bn last year.

The OECD countries were close to collective balance on current account towards the end of last year, and are now expected to move into substantial surplus, predicted at \$31bn in 1982, against a deficit of \$20bn last year.

The institute expects growth in Japan to be faster than most forecasters are predicting—at 3.5 per cent to 4 per cent. Falls of 1 per cent to 1.5 per cent in North America will be roughly balanced by rises in Europe.

Some general revival in the second half of 1982 should boost total OECD output by the fourth quarter to 1.5 per cent to 2 per cent higher than it was at the same time last year.

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All documents for registration in connection with registered securities of the abovementioned companies and correspondence in relation thereto should on and from the abovementioned date be sent to or lodged with:—
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London Secretary of the Companies
25 May 1982

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Kielder Water Project

Europe's biggest man-made reservoir — today being opened by the Queen — is as controversial today as it has ever been. Critics say that with the decline of heavy industry Kielder is not now needed. The Northumbrian Water Authority is however still convinced it was right to go ahead with the project.

Demand fall-off renews doubts

By Nick Garnett

THE £187m KIELDER dam and water transfer system was conceived more than 10 years ago as a means of shifting water from the high rainfall areas near the Scottish border to the big population and industrial zones in the north east of England.

In size and complexity it represents one of the most significant construction projects undertaken in the UK.

It involved the building of what is claimed to be the biggest man made reservoir in terms of volume in Western Europe. The building of the tunnels through which water will flow between the three river systems represented the first operation of full-face tunnelling machines in hard rock in the UK.

At the same time the Kielder dam, 27 miles in circumference and set in the Nordic-like Kielder forest, has given the northeast outstanding new recreational facilities.

But for the Northumbrian Water Authority's planners and forecasters there has been an unpleasant twist in the tail. The supply and demand mathema-

tics on which Kielder was based have been upset by the recession and the decline of heavy industries. The projected upsurge in demand which was threatening rapidly to outstrip the authority's ability to supply adequate volumes of water will not take place with the result that the arguments over the scheme during its planning stage in the early 1970s have been resurrected.

With 41bn gallons in the reservoir the Kielder system has a potential on its own to supply 200m gallons a day on top of the 250m or so naturally available from the area's rivers.

At the moment, however, the region is undecided whether it needs water from this new supply, and projecting further demand is, as history shows, a tricky business.

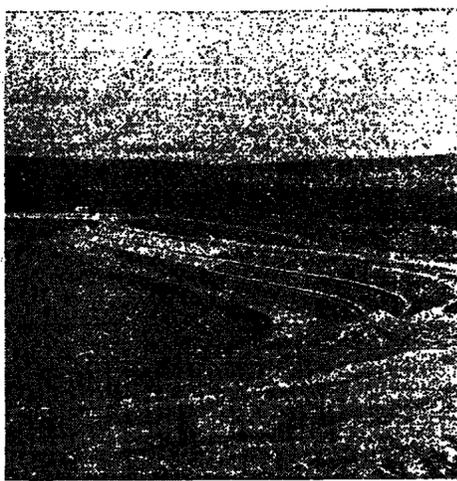
The water authority has been unfortunate in being so vulnerable to the effects of recession. Whereas in the UK as a whole some 40 per cent of water is consumed by industry, in the northeast almost two-thirds is taken by manufacturing.

Low charges

The cost of the project — £105m of the money has been borrowed—has been translated into a rise of 10 per cent on the bills of domestic consumers and 15 per cent for industrial users. The water authority still claims to have the lowest charges in the country.

In the long term, the water authority appears confident that the benefits of Kielder will be apparent and that it ensures adequate water supplies for many decades.

"It was designed to secure the prosperity of the region well into the next century and provide a unique recreational area for the fast increasing tourism



Left: The final touches are put to the three-quarters of a mile long Kielder Dam as a lake forms inside. Right: Kielder Reservoir, situated in one of the largest man-made forests in Europe

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- The Dam works II
- Water transmission system III
- Recreation III
- Finance — the cost to users IV
- Industry—the regional spin-off IV

business in the north east," says Sir Ralph Carr-Edison, the water authority chairman. "It gives maximum resource advantage with minimum social disruption."

Three broad factors influenced water resource planners in the north east during the late 1960s and these led directly to the inception and construction of the Kielder system.

● First, there was the belief that the existing water supply would soon be outstripped by demand, largely as a result of what was then a rising need from industry.

In the 10 years to 1971, demand rose from 140m gallons to 203m a day. The projection was that by the end of the

decade it would have shot up to 370m gallons. This was for a region, the water supply system of which had a capacity of only 257m gallons daily.

The water authority says these projections were not taken out of thin air but arose both from consultation with industry on its needs and from the evidence of investment programmes.

The British Steel Corporation, which was spending large sums at its works on Teesside informed the authority that it alone expected its demand in the 1970s to rise by 34m gallons a day.

ICI takes about a sixth of the authority's whole supply of treated and untreated water and

was also predicting growth in its demand. Teesside as a whole accounts for half the water consumed in the region and 70 per cent of that is sucked away by industry.

These assumptions were bolstered by predictions from the Water Resources Board that there would be a doubling of water demand nationally in the 30 years after 1970.

● Second, apart from assessing that by the early 1980s existing water resources would be exhausted, authority planners decided they had to guarantee needs for decades to come as a means of attracting new industry. The guarantee of water for steel, chemicals, and other massive users was seen as

a vital part of the region's infrastructure.

● The third factor has been the national and local political environment. The Water Resources Board decided some time ago on a policy of building seven major reservoirs, of which Kielder was to be the first.

At the same time there was local environmental opposition to the construction of a number of small dams in the north-east. The water authority says it would not have been allowed to build such dams if it had wanted to.

More recently, however, the national big reservoir scheme has been abandoned and the north east's industrial base has suffered a series of traumatic contractions as a result of recession and long term structural change.

Domestic water consumption—growing at 2 per cent per year—has been broadly in step with forecasts but industrial needs have slumped seriously.

The water authority now has three projections. In the middle consumption is forecast at just under 300m gallons per year, which would mean the transfer system in active use.

There is an upper projection

of 400m gallons which seems unlikely to be attained—and a low projection that demand will remain at the present level of 250m gallons daily for the next two decades. Major closures of chemical installations at Wiltton, Teesside, could however lower even that projection.

One ominous pointer is that for the first time in decades demand actually diminished in 1980. In the previous year the water authority had technically a lower margin of supply—a 5 per cent surplus based on dry conditions—than at the moment when there is a 10 per cent margin even without the use of Kielder. All this has been ammunition to the scheme's critics.

Defensive

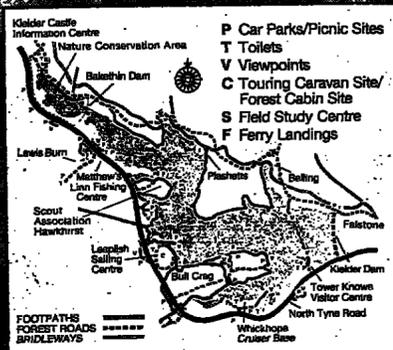
Mr Frank Ridley, the authority's chief executive, admits that he and senior administrators have been put on the defensive by the turn of events. But the water authority makes a strong defence of the scheme on a number of grounds. Firstly, they argue it would have been irresponsible for the authority not to have pressed for Kielder when all the national and local industrial indicators pointed to its need.

The authority points out that given the need for some increase in water supply, it would have had to build at least three smaller reservoirs if it had not proceeded with Kielder.

A system based on Kielder with a much smaller potential capacity would again have failed to make any real significant cost savings. Half the capacity of the reservoir is in the top 10 metres of a 55 metre deep lake.

The authority argues that the Kielder system will eventually be needed and that the deep cutbacks within industry simply mean the time period over which Kielder will be sufficient on its own to boost the natural river supply will be extended well into the next century. The system is an integral part of the region's infrastructure and does ensure any industry seeking a home in the north east that water is available.

There are some useful by-products. The presence of the dam will remove the top off any flooding in the north Tyne river. The reservoir will also be used to improve the summer flow of the Tyne. Indeed, the authority was within an ace last year of issuing water into the river to maintain flows during a particularly dry spell.



Kielder Water guarantees water supply in the North East well into 21st Century.

Kielder Water is the largest man-made lake in Northern Europe set in the remote upper North Tyne Valley in Northumberland.

The lake, created as a water resource, holds fourty four million gallons of water which is then available for the more densely populated areas of Tyneside, Wearside and Teesside.

The three rivers have been linked by a series of tunnels and pipelines to make use of natural river flows and to create Britain's first regional Water Grid System.

In addition to the water resource, there is

now a fantastic natural playground—a beautiful lake—in a huge forest—so people can explore, go fishing, sailing, walking, have a picnic—or just look.

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Above and left: drill and blast techniques and full-face tunnelling machines were used on the project. Below: the Demag tunneller



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Reservoir designed to add beauty to the area

THE HEADWORKS of the Kielder Water Scheme lie in the remote North Tyne Valley between the villages of Falstone and Kielder about 35 km north west of Hexham.

Kielder reservoirs formation has displaced 42 homes, all owned by the Forestry Commission, a road, spawning grounds for salmon and trout and 1.5m trees.

New housing has been provided for the local inhabitants in the North Tyne Valley, as has a new 13.6 km road for travellers and a fish hatchery to supply the needs of anglers.

The new reservoir is of unusual shape, partly due to major tributary side valleys biting deep into the surrounding forest-clad hills.

Kielder Dam, which contains the reservoir is 1,140 metres long and 52 metres high and lies 1.6 km upstream from Falstone.

A second dam, 165 metres long and 17 metres high at Bakethin, 9 km upstream from Falstone, lies mostly submerged when Kielder reservoir is full but emerges when the latter falls in level. Part of this area has been designated a wildlife nature reserve.

Construction work began on the 6.7 m-wide road diversion in 1976 followed in 1978 by the start to Kielder Dam. The next two years, 1977 and 1978, saw starts being made on the new fish hatchery at Kielder Village

and on Bakethin Dam respectively.

An almost complete lack of industrial unrest enabled the four contractors involved to achieve good progress leading to the inauguration of the entire headworks in May 1982.

Both the highway diversion on the south bank of the reservoir and the Bakethin Dam have played important parts in the control of traffic and river flows respectively in an inhabited area severely disrupted by the large-scale engineering work. Their careful aesthetic design has added beauty to an area already well endowed.

Dangers

The introduction of just over 4m cu metres of materials for dam into a remote and beautiful valley has obvious potential dangers and these were thoroughly discussed at a public inquiry in 1972-73.

As a result, very special conditions, affecting temporary buildings used by contractors, methods and materials of construction and lorry traffic routes, were imposed.

The latter conditions had the object of reducing disturbance to small towns and villages and resulted in the expenditure of considerable sums of money in upgrading roads and bridges between the A8 near Otterburn and Falstone. Most of this work was undertaken by Northumber-

land County Council on a re-payment basis.

To reduce further any adverse effects on local inhabitants from lorry traffic, existing rock quarries within the reservoir area and nearby were fully exploited for sandstone and hard whinstone.

Since 85 per cent of the materials of which the dam is formed are of a clay type, little trouble was experienced in opening up borrow pits upstream of the dam in the valley floor to excavate this type of embankment fill.

The material which offered most difficulty was concrete, essential in the construction of the overflow weir and channel and other structures. Planning and architectural constraints required that a warm coloured stone aggregate be imported from Rothbury, some 48 km east of the dam, for concrete which would be visible.

Local sandstone was used extensively in the considerable lengths of walling around the dam site and new plantations were formed below the dam with the approval of the National Parks Committee whose boundary crosses that area. Amenities also dictated the horizontal curve on the axis of the dam and the moulding of the dam contours into the abutments.

Material

Investigations by borings and geographical studies showed that, at the dam site, nature had provided a deep layer of clay material over the centre of the valley.

This layer thinned towards the public road on the south abutment and had been entirely eroded away at the River North Tyne to the north.

It was decided by the dam designers to leave this deep layer of clay intact as an effective water barrier below the dam and to construct the dam embankment on this layer.

To the south and north and at the river, clay blankets were constructed on the thinner natural clay deposits to increase their thickness before raising the dam embankment itself.

The latter was formed of clay materials which were laid with horizontal stone drains in the shoulders, but with solid clay in the central core.

At the river and on the north abutment, concrete and cement grout was used to increase the resistance of the foundations to percolation of reservoir water.

Controlled underseepage from the reservoir to the River North Tyne has been accepted in the design and a network of stone drains has been laid to conduct the seepage to measurement devices before releasing these flows to the river where flows are measured in total over a concrete weir.

Such seepages contribute to the statutory compensation flows which must be released from the reservoir and contribute about two per cent of the summer value of 113,600 cubic metres per day.

Deep boreholes downstream of the dam have been sunk into the rock to attract underseepage to control the pressures under which this water is flowing and so to increase the stability of the dam.

Pressure and movement devices have in addition been built into the embankment on two sections to assist design and maintenance engineers assess the behaviour of the dam embankment.

These instruments were of vital importance in the peak construction year of 1979 when the contractor placed up to 180,000 cubic metres of clay fill in one week.

An early warning of unacceptable stresses in the heart of the dam was registered enabling corrective action to be taken in good time.

The premier consideration in designing the overflow weir and channel to convey flood waters from the reservoir was safety.

At Tarsnet, 7 km downstream of Kielder Dam, a weir has measured flows in the River

North Tyne for over 20 years and has recorded floods with peaks of 340 cubic metres per second and volumes in a day of up to 19,000 cubic metres.

These records have been invaluable in assessing the dimensions of the concrete overflow weir and channel at Kielder Dam and in selecting the sizes of the pipes and valves built into the valve tower to release water from the reservoir.

Concrete

In fact, the overflow channel can cope safely with peak inflows to the reservoir of at least three times the maximum likely value and more under very severe conditions.

The 185m-long weir and 16m-wide channel conduct floods to a deep stilling basin where the destructive energy of the water is largely dissipated against a massive submerged concrete wall.

Two sets of steel pipes are led through the concrete arch culvert which runs below the dam and connects the valve tower with the river downstream.

The larger pipe, known as the scour pipe, is 2.9m in diameter and 16 mm in thickness.

The smaller pipe, 2.0m in diameter and 12 mm in thickness, collects water drawn from the four highest level of abstraction and delivers it to the stilling basin from where it flows into the River North Tyne.

The ends of both pipes are fitted with energy dissipating valves which discharge into the stilling basin alongside the flows from the overflow channel. The scour pipe alone can discharge up to six times the average flow in the river at Kielder Dam.

The culvert is a two-level structure, the lower level accommodating the two steel pipes in separate compartments and the upper level a 4m wide access road to the valve tower.

Before impounding commenced on December 15, 1980 the reservoir area was cleared of all properties and coniferous trees had been felled and marketed by the Forestry Commission.

The commission had also completed diversion of many kilometres of forest access roads and arranged to burn the forest debris. Tree roots near the water margins were uprooted and buried below a layer of clay.

As impounding proceeded, broadly as predicted, the monitoring of the instruments in the dam and its foundations showed that underseepage and dam stresses were within the limits expected.

Valves and pipeworks have been tested and apart from continuing adjustments, they are behaving well.

A regular supply of water of good quality can now be relied upon from this vast reservoir.

George Roche

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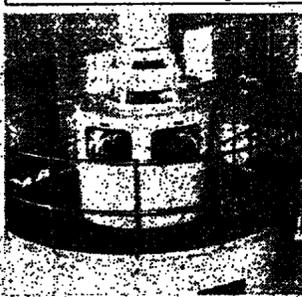
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Central Electricity Generating Board



Artists impression of a typical dam.

Handwritten signature or note in a box.

KIELDER WATER PROJECT III

Jeffrey I. Ito

The Kielder scheme was designed to allow the transfer of large amounts of water from the River Tyne to the industrial areas served by the Rivers Wear and Tees.

When completed the transfer works, which stretch from Riding Mill pumping station on the Tyne to the River Tees, near Eggleston, will have a capacity of 1.2m cu metres a day.

The various stages of construction and the problems encountered on one of the biggest-ever tunnelling projects in the UK are described below by Norman Berry.

Planners capitalise on leisure potential

THE RESERVOIR—moulded into the almost Nordic setting of the Kielder Forest—provided water authority recreation planners with a unique opportunity. They had a virtually ready-made leisure feature which could offer recreational facilities largely unavailable before in the north east of England. Their task was to develop a policy which would make maximum use of such rich potential. The authority has now embarked on a 10-year programme of tourist development based on the lake and the forest around it. In formulating the programme the Northumberland Water Authority has been guided by the 1973 Water Act, which requires authorities to consider putting their water resources to full recreational use. Other laws require the NWA to make recreation pay for itself without discriminating against different groups of water users. At the same time the Forestry Commission, which has been working closely with the authority and has a base at Kielder Castle, operates a general policy of opening forests to the public. A major decision had then to be taken on who was to do the developing. Mr Terry Jones, the water authority's chief recreation officer, says that to achieve the authority's tourist objectives, the development had to be done through a mixed economy—that is, by the water authority itself, by professional entrepreneurs and by voluntary organisations. The water authority has played three roles. Firstly it has provided the infrastructure—jetties and car parks, for example. The NWA has been helped by £500,000 in grants from the European Regional Development Fund and other bodies such as the British Sports Council, the English Tourist Board and the Countryside Commission. Secondly, the NWA has handled fishing. It has provided salmon hatchery and the reservoir has been stocked with 300,000 brown trout. Finally, the authority has designed the scheme of franchising and of controls. This has involved some tendering by companies and individuals for concessions on recreational facilities, leasing of land for buildings and issuing licences. The Kielder Water Club is split up into various sections cater for owners of cruisers, sub-aqua enthusiasts, dinghy sailors and most other water sports activities. It has responsibility for registering boats, checking safety and obtaining daily charges on those boats whose owners arrive for short stays at the lake and who are not yearly members of the club. One man operates a ferry service with a 40-seater launch. A small company acts as ships' chandler as well as boat repairer and hirer. There is also some catering franchising. The south development has five main locations. These are: an information centre with eating facilities; a mooring point for cruisers and keel sailing boats at Whickhope; the main sailing centre at Leatish; the principal fishing centre at Matthew's Linn; and a £750,000 outdoor activity centre, being built by the Scout Association at Hawkehurst Peninsula.

Regulations

Kielder is the only inland water in the north east which can accommodate large boats. says NWA recreation officer Mr Jones. The importance of this lies in the fact that almost all coastal moorings are fully taken up. Motor launches are subjected to tight regulations. They must keep below six miles per hour and there are noise level tests for speed boats. There is a rich wildlife population on or near the lake. At the upper end of the lake, the near constant water level at Barketin Dam is helping the establishment of a "nature conservation area" where plants, birds and mammals are thriving. The Forestry Commission has designated the forest around Kielder as a Working Circle—a forestry term for an area of woodland which has special study and management objectives. Cabins are being built in some of the forest areas where there are 30 or so special clearings. There is already a children's play area near the lake and two camp sites and an outdoor activities centre are being set up by the Northumberland education authority. The forest provides an ideal visiting place for school parties. Growing interest in the lake has been shown by a rise in the number of people attending the visitors' centre.

Nick Garnett

Ten-year-old machine leads the way

THE CONTRACT for the construction of the main tunnels extending 28 km was awarded in May 1975 to the Anglo-German consortium Tyne Tees Tunnelling, consisting of the German companies Ed Zublin and C. Baresel and the British company A. Monk.

TTT based their tender proposals on the use of two German-built Demag tunnelling machines, the first of which had already been partially built on "spec" by Demag.

Three months after the placing of the order TTT had the machine on site.

The tunnels were very largely driven in coal measure rocks consisting of interbedded limestone, sandstone and shales. The nominal driven diameter was 3.4m although, in practice, the contractor chose to drive to a slightly larger diameter of 3.5 or 3.55m to allow some tolerance. The tunnel roof throughout was supported using steel arches, rockbolts or shotcrete which were adequate to support the rock until the permanent lining of in-situ concrete was placed, in some cases several years later.

Driving of the tunnels started in July 1975 but unfortunately the Demag machines did not achieve their anticipated rate of progress of 400 metres per month.

This was very largely due to problems with the design of the machine. There were difficulties with the arrangements for removing excavated rock. Serious problems also arose with the installation of roof support, largely because the geometry of the machine effectively prevented any support—steel arches or rockbolts—being installed until the head of the tunnelling machine had moved 12-15 metres.

To overcome this problem the contractor arranged in September 1975 for an American-built Robbins tunnelling machine to be installed at Tees, the most southerly extent of the tunnelling. This machine was noticeably more successful and, although already some 10 years old when it started work on Kielder, it consistently penetrated the rock at a higher rate and the arrangement of the machine allowed for roof sup-

After leaving the Kielder dam, water travels down the Tyne and is then pumped along an aqueduct. It then passes through tunnels to a holding dam before being released into the Tees—a total journey of 36 miles, 20 of which will be in tunnel.

Pumping station

IN ORDER to allow the abstraction of water at Riding Mill a weir had to be built across the river.

The weir is 80m long and the right bank section has two tilting gates to control the pond level and residual flows during pumping.

When the tilting gates are raised the weir creates a storage pond of over 100,000 cu metres capacity above the lowest weir level. This storage provides the balance between the natural river flows and releases from the Kielder Water and the amount of water which is being abstracted using fixed speed pumps.

The weir is now the only part of the Kielder project where major work is still proceeding. It is being constructed by John Mowlem and Company, who, in order to overcome the problem of providing a positive cut-off to prevent seepage under the weir, proposed the driving of interlocking concrete piles to rock level.

This work was undertaken by sub-contractor, FJC Lilley who successfully bored the scant piles through the very densely packed boulders in the river bed.

In order to minimise the time

taken during construction, and also to achieve the very high standard of surface finish specified, Mowlem used very large precast units to form the main structure of the weir.

The main structure of the pumping station, which was constructed by John Laing, has reinforced concrete portal frames to support thick precast concrete wall panels and a flat roof of solid precast units. The purpose of this heavy construction was to reduce anticipated high noise levels.

With all 12 pumps running, the noise level at a radius of 400m is only 27 decibels, substantially less than the sound of normal conversation. At present it is not possible to tell from the outside of the building whether or not the pumps are running.

The external appearance of the building has been designed to blend in with the environment and once the trees, which have been planted extensively in the area, have grown, most people driving past the pumping station will not be aware of its presence.

The aqueduct

FROM THE pumping station a 2m diameter steel pipeline some 6.2km long rises to a height of

about 200m. Provision is made for this pipeline to be duplicated should demand justify it. The pipeline is constructed of spirally welded steel, with thicknesses varying from 10 to 14 mm, depending on the pressure. It was manufactured by Byard Kenwest in their Livingston works in Scotland. The pipes were generally supplied in 12 m lengths and were manufactured at a rate of up to 30 per week.

Norwest Holt were the main contractors for laying the pipeline and they successfully completed the work on time in just under 25 months.

The tunnels

THE STEEL pipeline ends at Letch House where a 22 m shaft connects with the start of the tunnels which then extend virtually due south for over 30 kilometres.

Fairclough Civil Engineering constructed the tunnels with highly mechanised drill and blast equipment. The tunnels were driven largely through strongly bedded sandstone at a nominal diameter of 3.5 metres but the bedding of the rock resulted in a virtually square profile.

As the tunnels were eventually lined to a finished

diameter of 2.9 metres this was of very great significance as the volume of concrete per linear metre was approximately 50 per cent greater in the tunnels driven by drill and blast as opposed to those driven by full-face machine.

Airy Holm Dam

IN ORDER to provide some degree of balancing storage a small head pond was constructed at Airy Holm, approximately 2½km south of Letch House. This was connected by means of a vertical shaft to the tunnel.

The dam itself is of fairly conventional construction with a central mass concrete section and earth flanks.

An unusual feature however is the construction of a diversion of the Shotleyfield Burn which would otherwise have been impounded by the construction of the dam.

The normal flow of the burn was taken around the perimeter of the reservoir in a pipeline, thus maintaining the flow in the burn and preserving the fishing interests.

Construction of the Airy Holm Dam started in October 1977 and the contractor, Gleason Civil Engineering, has completed the project.

which was reduced from the normal 1.5-2 m per hour down to less than ½ m per hour.

The costs of the tools on the full-face tunnelling machine jumped up to an alarming £47 per linear metre—compared with the normal cost of £5 per linear metre.

Serious consideration was given to the possibility of removing the machine from the tunnel.

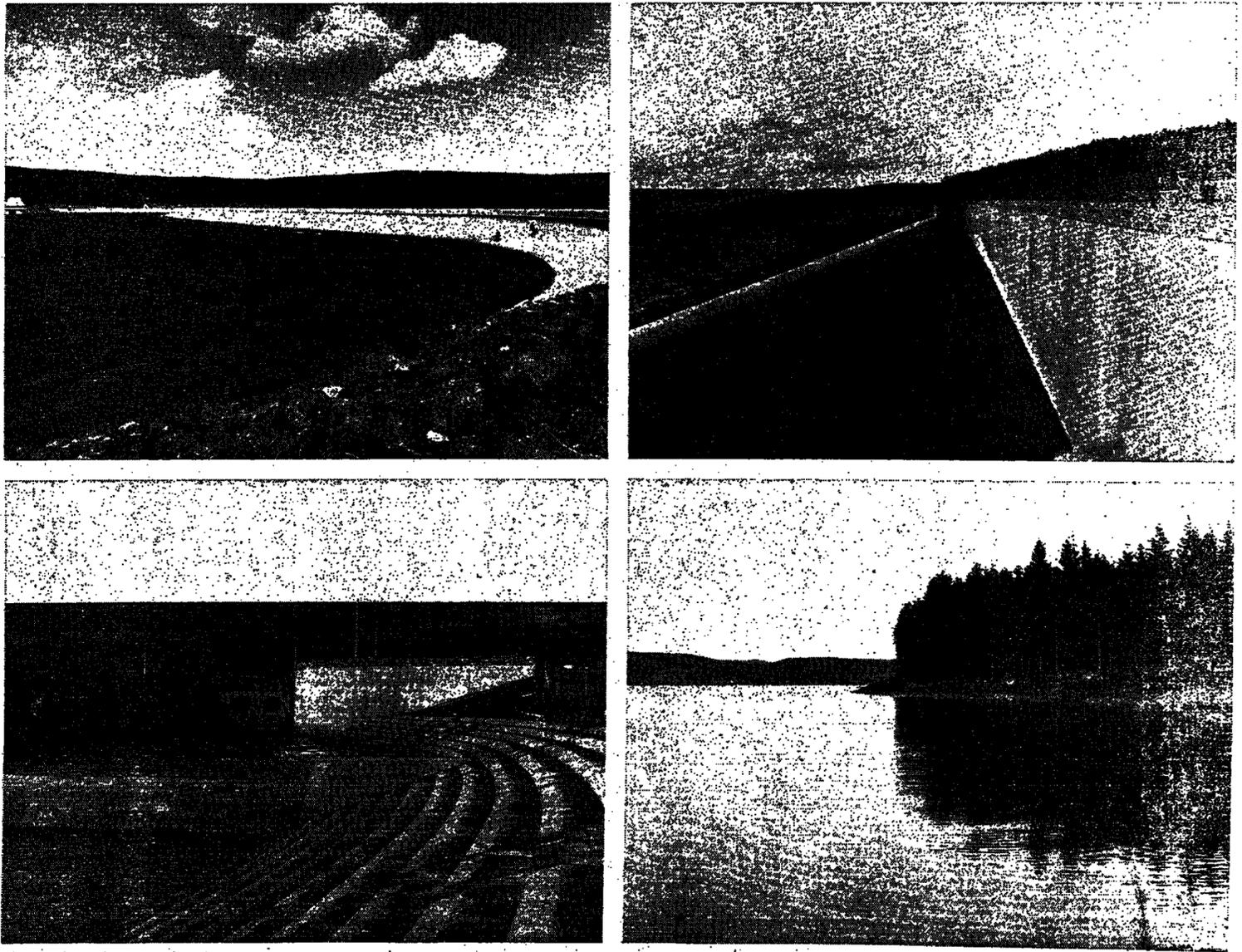
The site investigation boreholes had been approximately 2 kms apart and owing to access problems the next boreholes were a short distance off the line. In order to check on the extent of the intrusion it was decided to sink a borehole approximately 1 km ahead of the tunnelling machine. On the very day that the boring crew reached the whin sill, which was at its correct level some

The largest man-made lake in Europe

Formed by the Kielder Dam, Northumbria

The construction of the Kielder Dam and associated Civil Engineering works were undertaken for the Northumbrian Water Authority by Balfour Beatty Construction and Fairclough Civil Engineering in joint venture.

Consulting Engineers for the project were Babbie, Shaw and Morton of Glasgow.



Balfour Beatty · Fairclough

Balfour Beatty Construction Ltd.
Randolph House,
46-48 Wellesley Road,
Croydon CR9 3QD
Tel. 01-688 8700

Fairclough Civil Engineering Ltd.
Chapel Street,
Adlington,
Lancs. PR7 4JP
Tel. 0257 480284

KIELDER WATER PROJECT IV

Eighty companies awarded contracts

ALTHOUGH the Balfour Beatty Fairclough Joint Venture claimed the lion's share of the £167m Kielder Water contracts with its £58m dam element, many other top names were also involved. The list reads rather like a roll-call of the British construction industry.

At the headworks themselves, firms of the standing of Wimpey and Gleeson figured in substantial contracts, the former building the smaller tail-end dam at Bakethin, a contract worth £2m, with Gleeson awarded the £9m job of realigning the C200 road along the North Tyne valley.

Out of a list of some 20 main contractors and a total of 80 contracts altogether, Laing, Tarmac, Norwest Holst and Mowlem crop up from the civil engineering sector, while NEI and Hawker Siddeley Brackett are among the many companies that appear among the specialist contractors.

Spin-off

A project the size and complexity of Kielder has had a widespread effect not only regionally but nationally. The 80 direct contracts involved have been placed over a period of eight years and co-ordinating them into an interlocking programme has presented the Northumbrian Water Authority with a major task.

Many of the companies involved have, in turn, spun-off business to their own suppliers and sub-contractors, sometimes in substantial numbers. Many small companies throughout the country have benefited from the Kielder project without being aware of it.

Apart from the hardware associated with the heavy end of the construction industry, the shopping list of a site purchasing officer is usually extensive. Apart from procuring the bits and pieces constantly demanded by the engineers, the logistics of supplying a 200-strong workforce—with 1,800 people at times working at Kielder—is considerable.

On a major project a purchasing manager of senior status is an essential member of the site management team. While much site purchasing benefits local businesses—indeed this may be a matter of company policy—the Kielder Joint Venture company makes the point that it scoured the country for suppliers. Nevertheless, site manage-

ment admits that perhaps the most valuable of all its suppliers was the village plumber and electrician a few miles down the road, who turned out at all hours, often in foul weather, to cope with site emergencies.

As expected, the economic advantages to companies in the north-east has been substantial, but what was less anticipated was the effect upon companies as far apart as the south coast of England and the north of Scotland.

Construction sites are still fairly labour intensive, which puts money into the local economy in the form of wages. At Kielder, workers were travelling from up to 50 miles away, buses being laid on from Darlington, Newcastle, Carlisle and Hawick, so even the wage-related effect was fairly widespread.

The shifting of 5m cu metres of boulder clay during five summer seasons, working round the clock, ensured good spare business for firms like Caterpillar. The Northumbrian Water Authority claimed that the value and diversity of construction plant mobilised for Kielder stood comparison with any other project in the country.

When it comes to the supply of service equipment, much of it highly specialised, the spin-off can undoubtedly be considerable, although more difficult to quantify. The Kielder main dam has 700 measuring devices either buried in its core, or attached to its surface, all of which have to be monitored by sophisticated equipment in two instrument houses.

It is this aspect of the project that accounts for NEI's involvement supplying transformers, switchgear, starters and control panels. West Midlands-based Serck Controls supplied telemetry equipment, with Neptune Glenfield of Kilmarnock responsible for pumping equipment and valves.

These are the kind of companies that are most likely to generate off-site work for sub-contractors, either independent enterprises, or within a company's own group. Kielder-related benefits have also flowed to a number of bodies that are not strictly speaking commercial. The Water Research Association undertook computer studies, the Institute of Geological Sciences supplied geological information, while the Hydraulic Research Associa-

tion produced a model and the Ordnance Survey established marker points for the drilling of the water tunnels. The University of Newcastle upon Tyne carried out a number of tasks from laboratory testing of quarry materials to examining the machineability of rock.

In geographical terms the most widespread spin-off from Kielder stems from the awarding of the contract to drive the water tunnels linking the region's three main rivers, Tyne Wear and Tees. The major part of this—with some pipe-work and a short section of tunnel drilled by Fairclough Tunneling, worth £50m—went to Tyne Tees Tunneling, a purpose-formed West German-led consortium.

The main partners in the consortium were two Stuttgart-based companies, C. Baresel and Ed. Züblin, with Swiss Aluminium Mining and the UK's Monk also involved. Monk's 16 per cent share was probably essential to the consortium because of a stipulation by the Water Authority that all joint ventures should have some British participation.

Successful

The machines used to drive the tunnels were made by Demag—plus at a later stage an American Robbins—with virtually all the senior project management coming from West Germany. According to project engineer Olaf Loettgen a special effort was made to use local suppliers.

Joint ventures in the British construction industry have not always turned out so successful, but in Kielder's case things appear to have gone well. Mr Alan Cockshaw, chairman of the Balfour Beatty Fairclough Kielder Joint Venture, sees it as a successful exercise in sharing the risks and problems. Undoubtedly Kielder posed special problems and the two companies learnt a number of lessons in solving them. The first hurdle to overcome was to create the feeling of working for the joint venture, rather than for Balfour Beatty or Fairclough. Once this was achieved, fairly early on, all other problems became that much easier to solve.

The fact that the two companies involved in the joint venture did things in different

ways, which might, at first have appeared to provide grounds for conflict, turned out to be an advantage, with people involved claiming great benefit had derived from the interchange of ideas.

In many ways, because of its remote location and the often hostile environment, the Kielder project has been likened to an overseas contract by some of the civil engineers involved. This, plus severe restrictions imposed upon contractors over the number of vehicles and the size of their loads on public approach roads, provided site management with what it has

described as a lesson in self-sufficiency—how, in effect, to live off the land and win the maximum amount of material required for building the dam from the floor of the valley that would eventually be flooded.

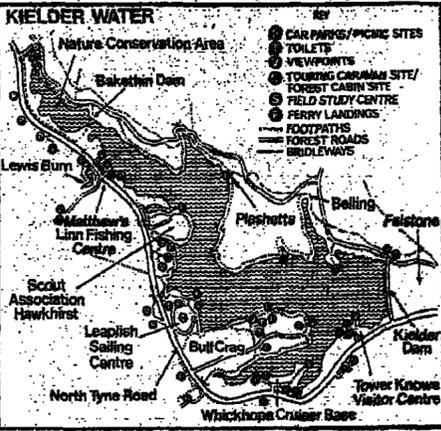
Somewhat against the trend on UK contracts, the Kielder site management was given a great deal of autonomy, with most major decisions being made on the spot. Directors of the joint venture were frequently on site and, indeed, held their meetings there.

But the chances of the two companies repeating their partnership at least in the near

future seem small. Projects of a size and style similar to Kielder are not in prospect, either in the UK, or in Western Europe.

An attempt to secure a follow-on contract that would have kept the joint team together was made but failed. The consortium tendered for another dam building job in Derbyshire, but its tender was too high, although having built a dam might be regarded as an advantage, the lessons learned the hard way may have pushed the tender up.

Ewart Mann



Region's water users contribute £105m

EVERYTHING about the Kielder Water project is large scale: it is one of the largest man-made lakes in Europe situated in one of the largest man-made forests in Europe. Not surprisingly its financing has been an equally large-scale and complicated affair involving British and foreign organisations.

The scheme provides not only a reservoir and dam but a series of complicated engineering arrangements to allow regulation of the Rivers Tyne, Wear and Tees. In effect, it can control and meet the demand for water in the entire north east, alone for the rest of the century.

The cost of such a major regional water undertaking—the first of its kind in the country—is £167m gross.

The most interesting feature of the financing is the involvement of the Common Market's Regional Development Fund, which provided a grant of £36m, the largest contribution it has ever made to any single scheme or project in Europe.

A grant of £26m was made by the British Government, mostly under the terms of Local Employment Acts providing for assistance to schemes involving job creation in assisted areas.

This left a staggering £105m for the project to be funded by north east water users. The money was raised in loans,

mostly over 15 years but on a renewable basis so they can be rolled over.

Some £63m of the loans were taken through the European Investment Bank—in every case because the EIB rates were more favourable than any of the prevailing variable rates obtainable in Britain. The EIB rates were still advantageous when exchange control arrangements had been taken into account to guarantee against losses through fluctuations in the foreign exchange markets.

Balance

The balance was raised from the Government-backed National Loans Fund.

These loans have to be serviced through the water charges to consumers in the region. It is estimated that £5 of the average household's annual water bill of £57 is now directly for the Kielder Water project.

The break-down of the costs of the scheme, which took about 10 years of planning before work began in 1976, is split between the main dam, the subsidiary dam, the pumping stations, the tunnels and the preparatory work and roads.

The headworks of the main dam, three-quarters of a mile long and 170 ft high, at Kielder cost £58m. A further £2m has been spent on building a secondary dam in the form of a

weir at Bakethin, at the north western extremity of Kielder reservoir to prevent unsightly mudflats being revealed during drawdown of water. The resulting small lake behind Bakethin will become a nature conservation area with protected flora and fauna.

Another £8m was spent on diverting roads and building a new eight-and-a-half-mile road along the south shore, together with three bridges across burns, to replace the old, now-submerged road along the valley bottom.

Water released from Kielder Water flows 36 miles down the River North Tyne and the Tyne itself to Riding Mill where a 305 ft adjustable weir and pumping station have been built at a cost of £18m. This is Britain's largest pumping station and the Northumbrian Water Authority will eventually be able to take 20m gallons of water a day up from here.

From Riding Mill water travels into an intricate network of pipes and tunnels reaching the highest point of the aqueduct four miles away and 700 feet higher. Other tunnels, including one which runs for 20 miles down to 1,000 feet below the Durham Fells, take water to the Rivers Wear and Tees. This network plus the creation of a headpond at Airy Holm cost some £53m.

Small items accounted for £5m and the remaining £22m of

the gross cost is capitalised interest due to arrangements which enabled Northumbrian Water Authority to delay payments for the scheme until it was almost completed.

In addition recreation, amenity and sporting facilities will make the Kielder project the largest leisure complex in Britain. Facilities for such pursuits as angling, sailing, picnicking, camping and walking are being improved at a cost of £2.5m spread over six years. Eventually more jetties and slipways will be built.

Grants totalling £800,000 towards the leisure facilities were provided by the English Tourist Board, the Countryside Commission, the Sports Council and, once again, the EEC Regional Development Fund.

Facilities

The fund has been particularly enthusiastic about the scheme, partly because of the regional nature of the project and partly because of the depressed state of the region.

The north east is a low-wage, high unemployment area in need of industrial and economic revival. Although the Kielder Water project itself will not provide many permanent jobs, more than 1,000 people were working on it at its peak development period. The leisure and recreational aspect provides wide job-creation potential.

In addition the project, by regulating the three main rivers of the north east, and using them as aqueducts, can make water available over the whole region to whoever wants it. The north east is therefore the only region in Britain which can tell industry looking for a site that wherever it chooses to be within the region, and no matter how much water it requires, it can be serviced.

The fund thought that combination of features made the Kielder Water project worth supporting on a large scale. The European Investment Bank is again active in the region having agreed a £50m loan for the cleaning up and improvement of the River Tyne.

Although the residents of the north east have to pay for the scheme as part of their water charges—and many of them fought the idea through two lengthy public inquiries—there have been signs of public approval since the lake took shape.

Its cost was not only the £167m cash. About 1.5m trees were felled and the dam is an earth embankment of more than 6m cubic metres volume which took four-and-a-half years to build. That is a third more material than the Egyptians required for the largest of the pyramids which took 100,000 slaves 30 years to build.

Robin Pauley

The Tyne Tees Connection
28,000m Tunnel on Target

Joint Venture Tyne Tees Tunneling

C. BARESEL AG Stuttgart (W. Germany)
ED. ZÜBLIN AG Stuttgart (W. Germany)
A. MONK & CO. LTD. Warrington

With a period of 6 years we have constructed 28km of water tunnel in the North of England using full-face tunnelling machines. After overcoming some of the most difficult geological conditions the successful completion of this demanding tunnel project ensures the transfer of water from the River Tyne into the River Tees.

مكة من المصل

GARDENS TODAY

A romantic tale for our time

BY ROBIN LANE FOX

IT LOOKED last week as if every gardener in the country had decided to visit the Chelsea Flower Show at the same time.

The winter played such havoc with the older climbers. A week before Chelsea I had been tempted by some fiercely priced clematis...

belongs with the other double flowers: beauties, pale cream yellow Laura Drisart, lemon white Duchesse de Nemours and the rest.

I dare say they might make a meal of him too before long. More sociably, I would welcome the new form of Iceland poppy...

FT COMMERCIAL LAW REPORTS

Bank's duty towards letter of credit

UNITED CITY MERCHANTS (INVESTMENTS) LTD v ROYAL BANK OF CANADA AND OTHERS

House of Lords (Lord Diplock, Lord Fraser of Tullybelton, Lord Russell of Killowen, Lord Scarman and Lord Bridge of Harwich); May 20 1982

WHERE DOCUMENTS, which contain a material misrepresentation of fact, are presented to a bank under the terms of an irrevocable letter of credit...

purchase price of \$662,086 in favour of the sellers. The plaintiffs in the present action were merchant bankers; United City Merchants, to whom the sellers had transferred the credit...

evade Peruvian exchange control regulations by entering into a collateral contract with the sellers to double the purchase price of the plant...

the presentation of apparently conforming documents was not matched by a contractual liability of the confirming bank to the seller...

BBC 1

- 6.40-7.55 Open University (Ultra High Frequency only). 10.00-10.12 You and Me. 10.40-12.30 Pm For Schools, Colleges...

TELEVISION

Chris Dunkley: Tonight's Choice

Something rather eerie was to have happened round 10 o'clock: at 10.00 ITV screen the 1978 horror movie Omen II...

LONDON

- 9.30 am Schools Programmes. 11.54 Dick Tracy Cartoon. 12.00 Windfalls. 12.10 pm Rainbow. 12.30 Play It Again. 1.00 News with Peter Sissons...

All IBA Regions as London except at the following times:

- ANGLIA: 1.20 pm Anglia News. 2.45 Deeply Regretted. 5.15 Jingles. 6.00 About Anglia. 12.00 Love American Style. 12.30 am A Tale of Two Cities.

RADIO

- RADIO 1: 5.00 am As Radio 2. 7.00 Mike Read. 8.00: Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Steve Wright. 4.30 Pm: Peter Dinklage. 7.00 Radio 1 News. 8.00 David Jensen. 10.00-12.00 John Peel (S).

APPOINTMENTS

COMMODITY FINANCE OFFICER

A major international bank is creating a new Commodity Finance Group to provide a comprehensive range of financing services to international customers dealing in soft and hard commodities.

DARTY GROUP

Table with 4 columns: Item, 1981/1982, 1980/1981, Change. Rows include Sales (2,987,975 vs 1,363,001), Pre-tax profit (197,880 vs 145,544), Profit after tax (102,183 vs 80,302), Earnings per share (67.16 vs 52.77), Cash dividend per share (24.0 vs 19.0).

RACING

BY DOMINIC WIGAN

DESPITE the presence of Fort Lamy in today's Clayton Handicap at Brighton, I shall be looking to the fillies—Apple Blossom and Hit The Line.

went down by a length after attempting valiantly to overcome a low draw. Hit The Line, a previous winner at Brighton, is chasing a double after getting the better of Sound Of The Sea in the BFA Betting Offices Spring Handicap over six furlongs at the last meeting.

Jockey, will come out on top. Now that Fabulous Dunc, Leopard's Rock, and Dolly Mixture Boy have all been drawn from the Channel Handicap, the way should be clear for the locally trained course specialist, Corven.

and white colours which he wore to success on Pawnee back in 1976. Mr Wildenstein has confirmed his filly—All Along—as a definite runner for the Oaks.



Super 80 leaves competition at the gate in new passenger survey.

Flyers give McDonnell Douglas twinjet high marks for quiet ride, seating comfort and cabin atmosphere. This survey pitted jetliners similar in size and number of seats in head-to-head competition.

Advertisement for McDonnell Douglas Super 80 aircraft, including a small image of the plane and the text 'Super 80 MCDONNELL DOUGLAS'.

The 'secret' of Japan's success: plain managerial competence

Wolf Reitsperger on a myth-breaking study of Japanese manufacture in Europe

THE HORDES of Western executives, journalists and pseudo-scholars which continue to blitz through Japanese factories on lightning tours have created a mystical aura around Japan's highly successful managerial style. The Press has lauded the ability of Japanese management to create "oneness" and happiness among employees, and to produce the raving workaholics who have propelled Japan to a frontline position among industrial nations. Pseudo-scholars have chorused these sentiments and the thirst of American managements in particular for cookbook approaches to the Japanese challenge has brought fame and fortune to those who have capitalised on this interest.

At the same time, Western management has put up a sustained whimper about superior technology, favourable labour conditions, and work attitudes on Governments to introduce protectionist measures to avoid competition. But the crux of Japanese manufacturing success, both at home and abroad, can actually be expressed in one word—competence. Japan's productive superiority is the consequence of its tremendous capacity to streamline and manage organisations so that they achieve continuous improvements in productivity and performance. This is "organisational engineering" of an entirely logical and comprehensible sort.

This is the main finding of one of several three-year-long studies of Japanese management in Europe by a London School of Economics research team at the International Centre for Economics and Related Disciplines. In particular the study looked closely at consumer electronics manufacturing. Among the findings of the research was that Japanese companies in the UK obtained output levels that were more than double that of British manufacturing, and more than 50 per cent higher than U.S.-owned producers operating in the UK.

At the same time, the study found that the Japanese companies achieved quality levels which far exceeded those of U.S. and UK manufacturing. Reject rates, including component



failure, were roughly a quarter of those of equivalent British companies in the Japanese companies when they were first established, but this decreased to about one eighth within 1½ years.

The frequently discussed superiority of Japanese componentry may provide part of the explanation, but a comparison of reject rates at identical stages of the assembly process showed that those traceable solely to human error in Japanese companies were roughly one tenth of those found in British manufacturing.

Rather than the usual clichés about Japanese personnel management, the country's industrial success rests on altogether less inscrutable techniques of motivating, supervising and rewarding employees, both on the shopfloor and in the managerial hierarchy. Of equal significance is the fact that employee satisfaction varies remarkably widely from one Japanese factory in Europe to another.

This reflects, among other things, the distinctly different management philosophies, policies and practices that the Japanese companies have adopted towards human relations. In our survey it was the UK subsidiary of a U.S. manufacturing company, not a Japanese one, which was per-

ceived by its employees to be the most concerned with personal well-being. Japanese companies were peppered right up and down the scale of employee satisfaction.

Nor does Japanese management generously distribute better fringe benefits or pay than local manufacturers. In this respect, at least, most Japanese companies in Britain and Europe have been found to play the local game by offering the average.

Performance

On the other hand, a particularly key feature of the Japanese approach is the emphasis placed on the individual's achievement of improved performance. In contrast to most of British and U.S. manufacturing, Japanese management has instituted performance feedback systems which indicate the quality performance of each assembly worker. Individual quality performance is fed back informally on an immediate basis, and formally on a daily basis in the form of clearly displayed graphs, coded by error. As a result, individual workers, managers and supervisors are continuously aware of each person's performance.

Such a system is a precondition for success if a worker is to be motivated to improve his

performance, whether because of pride in his work, monetary rewards, the opportunity of promotion or just a pat on the shoulder by management.

In Japanese manufacturing the feedback on an individual operator's quality performance is the principal vehicle for assessing his promotability. Roughly 10 per cent of operators in the surveyed Japanese firms are promoted annually to senior levels, and since the companies have abstained from introducing quantity-related bonus systems, higher pay can only be achieved via quality performance and a move up in the promotional ladder.

In the absence of fixed quality goals, and since individual achievement is considered in relation to those of co-workers, employees' own quality goals are in a constant state of upward flux—and with them the quality achievements of the factory as a whole. Under these conditions, planning for "acceptable quality levels" is totally obsolete, since quality that would lead to rewards today might not be considered good enough tomorrow.

Performance improvement is served equally effectively by the role of supervisors in Japanese companies, since employees recognise the need for supervisory competence to help them improve their performance, and ultimately their rewards. It is this, rather than his higher position in the Japanese organisational hierarchy, which increases the supervisory acceptability and power.

In one Japanese company where performance-reward relationships were clearly spelt out, only half as many workers indicated that supervision interfered too much as in a matching British case. Ample evidence of the form this assistance sometimes takes is visible immediately one enters a Japanese production plant, in the form of detailed charts and simple mechanical aids, which are not mass merchandised, but geared to some individual operator's striving for quality performance.

Thus the supervisor plays the role of facilitator and assistant,

a different approach than is the tradition in European and American practice.

While the activity of supervisors is extremely similar in all the Japanese companies surveyed in Europe, their styles do differ in line with company philosophy and policies. But these differences tend to affect employee satisfaction, rather than performance; the two are by no means directly related, as the article below argues. Transport by taxi to and from the doctor, and various other practices frequently interpreted as acts of genuine humanity, have the secondary benefit to the company of bringing competent employees back to the assembly line. Visiting sick workers serves a similar purpose.

So such practices serve organisational objectives, especially against the background of an extremely tight personnel allotment in Japanese companies in Europe. This in itself is an indication of managerial competence.

Other factors, especially closed shop and flexibility agreements with one union for skilled and semi-skilled workers, greatly simplify dealings with unions. And marketing strategies which take into account the needs of existing production technology, production organisation and logistic systems allow for efficiency-fostering production runs. This requires an understanding of an organisation as being composed of interacting independent parts and not as independent entities.

An example of the lack of such understanding is provided by one British manufacturer, which lost more than 10 per cent of its output because of the complexity of its product mix and order grabbing, which made orderly and efficient production runs impossible. The Japanese avoid such mistakes like the plague.

Before he joined the LSE research team, Dr. Wolf Reitsperger worked in production management for AEG Telefunken in Germany, and then in various capacities in Austria and Japan. He is now visiting professor at the University of Hawaii School of Business Administration.

BOARDROOM BALLADS

THE POWER OF POSITIVE BLINKING

Since wishes, as the young are taught,
Are really fathers to the thought,
And thinking, for the businessman,
Is for avoiding when we can,
And since our board had had enough
Of all this corporate planning stuff,
Finding that it didn't suit us—
All this messing with computers;
We all unanimously stated
That thinking may be over-rated!
Henceforth we would value higher
The use of corporate desire,
And decimate the competition
By force of positive volition!

Scarcely had we made a mention
Of our corporate intention,
Than the news leaked out as well
Of our boardroom wishing-well,
Then press and television news
Feathered us for interviews,
And the brokers ran amok,
Marking up the company stock.

Academic commentators
Rushed to validate the status
Of management by wish-kinetics

As superceding cybernetics,
Locating the astounding credo
In the corporate libido;
And, in a rash of books, rehearsed
Which one of them had said it first,
While every business school was billing
Programmes in collective milling,
Claiming Shinto and Islamic
Sources for the wish-dynamic.

Unions were quick to claim
Participation in the game,
Contented that the wages bill
Be settled by collective will,
And moved that plant negotiation
Be based on mass desideration,
And Government, whose every act is
Based on current business practice,
Lost but little time in having
The head of corporate desire,
From a well-known corporation,
To brief the wish-tank on inflation.

There is a mood afoot, we hear,
To name this Business of the Year.

Bartie Ramsbottom

Next week: Career choice

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Bankruptcy

In 1976 I was a director of a manufacturing company and in the year 1978 the said company was wound up and a receiver appointed. Now four years later, I am to go on trial charged with fraudulent trading and not keeping sufficient books. Should the case go against me, I have been told I would face a personal bankruptcy. In September 1979 I married and the same month I came to reside and work in Italy and have been here ever since. I have about 70 per cent of my assets in an English bank, including a small portfolio of shares valued at about £10,000 and my wife owns a building plot of land which I bought for her in March 1981.

If I were to transfer my assets to Italy, what jurisdiction if any, would the liquidator have on my transferred assets and also the assets I have already here?

Would the liquidator be able to claim my wife's assets including the building plot purchased last year? Where could I obtain more detailed information on bankruptcy

and in particular any books you could recommend on the subject?

If you are no longer domiciled in England a petition in bankruptcy cannot be entertained here, as Section 4(1)(d) of the Bankruptcy Act 1914 would not be complied with. However, if there were an adjudication, here all personal property here or abroad would vest in the trustee in bankruptcy, so that a transfer of assets to Italy would only make it administratively more inconvenient to get in those assets—it would not place them legally beyond the trustee's reach. Your wife's property would not be affected, but if she holds property on trust for you the beneficial interest would vest in the trustee in bankruptcy—the building plot probably falls within that category. You may wish to refer to Williams and Muir Hunter on Bankruptcy.

Rent increases

I bought some terraced houses in 1955 the net rents of which are £1.25 per week and the only rent increases I have had have been 12½ per cent on the cost of any improvements I have done.

1—Has the 1981 Rent Act altered the situation? 2—What is a controlled tenancy? 3—What is a regulated tenancy? 4—Is it necessary to provide a handrail on the stairs and if so would it be an improvement? 5—Could I increase the rent say by £1.00 per week if the tenants agreed?

1—There is no 1981 Rent Act. The Housing Act 1980 will probably not have altered your position. 2—A controlled tenancy is one with no qualification certificate, which had a 1980 rateable value of £20; the house was not erected after August 29 1954 or converted after that date; and is a tenancy for less than 21 years which was originally created before July 6 1957. 3—A regulated tenancy is a tenancy within the protection of the Rent Act 1977 which is not a controlled tenancy. 4—Yes to both limbs of your question. 5—No, you should not increase beyond the rent limit. You would be wise to consult a solicitor.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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THE ARTS

Handwritten signature or note in the top right corner.

Television

The better part of valour

by CHRIS DUNKLEY

For 10 years I have been writing in this column about what appears week by week on our television screens.

Incidentally, it is off-limits to television and Press even when they are willing to hire their own Lear jet to get there.

Technical delays and that the only person to give that instruction was the Prime Minister himself.

leg, so even assuming no interference from the fleet's electronics, ENG could not be satellite direct.

In desperation London news chiefs have floated some bizarre suggestions: sending film up in a very high flying tethered balloon to be scooped out of the sky by long-range Nimrod-like a non-stop steam train picking up mail (not technically impossible, I am assured); or a helicopter delivery service deck-popping through the back-up fleet all the way to Ascension Island to deliver film.

Until something can be made to work British viewers must expect to go on waiting anything up to a fortnight for their television newscasts.

In the other direction information is flowing with suspicious speed and efficiency. Cassettes of London news programmes (not to mention the cup final) are reaching the men in the Task Force just 48 hours after being broadcast in Britain and mail is reaching them remarkably swiftly too.

No one grudges them that, but it is difficult to avoid the conclusion that the Royal Navy, uninvolved in any major hostilities for a generation, has decided that where information travelling home is concerned, suppression is the better part of valour.

chroma material but there were two huge snags: first it would only send ENG and his colleagues found that ENG was subject to had interference from Naval radar and second, in order to operate it the Navy had to close down most of its own electronic equipment.

Frequent meetings between Government and MoD officials and the heads of BBC News, ITN and the Press Association (Peter Woon, David Nicholas and David Chipp) rapidly escalated to a very high level.

Lyric Studio, Hammersmith

Berenice

by MICHAEL COVENEY

The rhyming alexandrines of Racine are one of my favourite schoolboy memories and Phedre the chief pleasure of an O-level swot.

tragedy, this dilemma resolves itself in a discussion of "elbire" or honour. The triangular arrangement of the piece is completed by the presence of Antiochus, King of Lydia, a French prince, that master gene, who has adored Berenice for a similar length of time.

In the course of five brief acts, the Berenice of Sheila Gish acquires a most interesting tragic weight. For a start, she is considerably older than the cello, rather stilted Titus of Martyn Stanbridge. She also manages to re-define the tragic role as that of a swish salon beauty banished to early spinsterhood.

Titus has been in love with Berenice, Queen of Palestine, for five years but, on succeeding to his father's throne, is suddenly susceptible to political responsibility. In terms of Racinean

Falklands Crisis: 'The blame for serious losses by Britain in the information war appears to lie not with the television news services but with the hierarchy of the Royal Navy and the upper reaches of Defence Ministry'

very beginning of the Navy's attitude was that the Falklands affair was an entirely private do, to be played with a Royal seal depending upon a brief of a man that virtually disappeared with our grandfathers' generation: the rapid sketch artist whose work was so familiar to readers of the Illustrated London News during the Boer War.

Another said: "Mountbatten must be spinning in his grave. Seven weeks ago they gave news and information far too low a priority, failed to consult anyone from the news organisations about what was needed, and only now are they realising their mistake. The Army learned all about the modern war of information in Northern Ireland and they are quite contemptuous of the mess the Navy has made."

Human error was aggravated from the outset by technical problems which have bedevilled television coverage and are only just starting to be solved. Until recently the broadcasters were getting precious little help in their solution.

At the very beginning BBC and ITN news decided that neither was likely to get any real edge over the other in terms of facilities in the South Atlantic and they agreed to cooperate. Their first shock was to discover that if the Royal Navy had its way no television staff at all would be carried on their ships. It took intervention from Downing Street to ensure that Hermes would carry one BBC cameraman and one sound engineer as well as a pool of staff for both BBC and ITN, plus one BBC reporter (Brian Hanrahan)

supply of news for Press or television, however. Not only did the forces fail to take any journalists in witness—let alone photographers—the liberation of South Georgia, for instance, but when it comes to sending home reports there are two sets of MoD "officials" (in any other country we would call them censors) to contend with: one on hand with the Task Force and the other at the Ministry in London through which all copy flows. Their efforts are added to the effects of three general D-Notices suppressing classified information.

Hence the fury of news chiefs in London when Mrs Thatcher and others began to inquire haplessly why the British mass media was failing to tell "our boys' story." One seething television news executive suggested that her aides should point out the cause: "HMS Silencer sitting 500 yards from her own front door."

Frequent meetings between Government and MoD officials and the heads of BBC News, ITN and the Press Association (Peter Woon, David Nicholas and David Chipp) rapidly escalated to a very high level.

It took the intervention of the Defence Minister himself to ensure that another television news crew was taken aboard the Canberra when she sailed and it began to look as though only a direct instruction to the Task Force commander, Admiral Sandy Woodward, could have any effect on the

When lilacs last ...

by RONALD CRICHTON

The Royal Choral Society on Monday evening gave Hindemith's Requiem "for those we love" one of its rare hearings in London. They deserve credit for doing so. Nothing needs more courage than the programming of a major work by a big, unfashionable 20th century composer. On this occasion not even the attraction of John Lill playing Beethoven's E flat concerto filled the hall.

There are many resemblances. Hindemith remains the serious, hugely competent composer he became in middle age. The emotional pull of the Requiem is restrained but not weak. The harmonic texture is grave, sometimes muted, like the sandy finish of much German painting. The enormous ability does not disguise some commonplace, grey invention. Once or twice, in the big choral fugue for example, the wheels begin to turn with alarming fluency.

Fortunately, the machine stops in time. Nothing in this score goes on for long. Many pages strike home. Of the poem's chief symbols—lilacs, evening star and hermit thrush, the last named seems to appeal most personally to Hindemith. In the choral writing there are

suggestions of Walton which should be looked at the other way round, as belated evidence of one influence on Walton's style.

Meredith Davies had prepared a performance of a quality to make converts. Nothing ponderous, but a clarity and purposefulness enabling words and music to seem uncomfortably well-suited to these times. There was not quite enough attack in the fugue, but mostly the Royal Choral Society sang like a good small choir on its toes—a nice compliment to be able to pay to such a large body.

The contributions of the soloists, Margaret Cable and Ian Caddy, were entirely fitting. In the first half the Emperor came up fresh in a telling reading with a strong orchestral playing and a taut, broadly-phrased account of the solo part from Mr. Lill.



Zehava Gal and Andrew Foldi

Glyndebourne

Il barbiere di Siviglia

The most interesting feature of the pleasant but unremarkable Barber revival which on Monday opened the 1982 Glyndebourne season was Sylvain Cambreling's conducting of the London Philharmonic Orchestra. The partnership made an often-heard score sound intensely fresh and colourful: in details of phrasing, in matters of balance, and in choice of tempos moderate as to speed but by no means moderate in terms of dramatic vitality.

Perhaps the gap between the brightly confident address of the performance and a truly stylish finish was opened by a partly new cast (other singers from the 1981 Barber return later on), whose ensemble seemed less than perfectly set or matched. The most distinctive contributions are made by John Rawnsley's Rosina (in all senses) Figaro and Zehava Gal's Rosina, both of them by now well practised in their roles.

John Cox's production was introduced here last year; it is revived in a way to give an audience much pleasure while falling to persuade me fully that Mr Cox's ideas about production of the opera buffa proceed far beyond the elegant working-up and precise interlacing of some very nicely enacted routines. The style, in the comedy exactly as

in the ingenious designs of William Dudley, is attractive without being wholly coherent —what one missed, by the end of the evening, was the sense that one takes from the finest operatic comedies, that the characters might still be pursuing their existence beyond the confines of the proscenium arch.

John Cox's production was introduced here last year; it is revived in a way to give an audience much pleasure while falling to persuade me fully that Mr Cox's ideas about production of the opera buffa proceed far beyond the elegant working-up and precise interlacing of some very nicely enacted routines. The style, in the comedy exactly as

sometimes only just avoided. The Israeli mezzo treated us to a bounty of lovely, delicately inflected, warm-spirited Rossini singing unnaturally aligned to the pert mix we too often saw in action. A new Almaviva, the young American Robert Gambill, has an open appearance and an easy vocal manner, impressively agile in the later stages of the evening; what he needs urgently to acquire is a surer grasp of vocal style, which in turn will lend his impersonation a sharper identity. The two buffos, Andrew Foldi (Bartolo) and Curt Appelgren were proved useful practitioners of comic business, though in the case of Mr Appelgren's Basilio most of the fun seemed to come from the open-toed sandals and the scarerow hat. An heroic ton line to the Act I finale let loose by Catherine McCord's Beria stand out in the memory from much about the show that was undemandingly amiable. MAX LOFFERT

Grand Theatre, Leeds

Così fan tutte

I last saw Così fan tutte in a conscientious but uncommunicative version by Scottish Opera, who had jettisoned Ruth and Thomas Martin's translation for the supposed attraction of the original language. The resourceful use of that neat and witty American translation is at the heart of this splendid new production by Opera North.

Relishing the words, the six soloists convey to the audience not only the absurdities and comic embarrassments of the plot, but the true passions lying just under the surface. No puppets are these lovers, even when the couples become dangerously mis-asserted. The physical contact of Dorabella and Guglielmone comes as a shock on stage, but it is a shock that convinces — especially when their duet is sung with such accomplishment by Patricia Parker and Robert Dean.

There is an early visual cue to this plausibility. In most productions, the sisters reappear in deepest mourning in exaggerated reaction to their lovers' departure. Such patterns of artificiality are avoided in Graham Vick's alert, imaginative production. In most respects well served by Russell Craig's designs. The serving-maid, Despina, is less of a mix than usual, which perhaps imposes a constraint on such a vivacious performer as Kate Flowers. But the effect is not to topple the comedy into inappropriate gravity, as Peter Hall did at Glyndebourne. Even in a group of five Liszt is to humanise it, and to banish any possible boredom from the long sequence of solo

arias. A minor irritant is a black-clad, masked chorus, apparently strays from a different show, and Robert Lloyd-Jones, the artistic director of the company, has sought no specialisation as a Mozart conductor, but here he directed a performance of noble line and warm spirit. (I query some of his added vocal ornamentation.) The best solo item was a quite ravishing performance of "Per pietà" by Eiddwen Barry, whose Fioriligi decisively improved in the second act. Rodney Macenn was an admirable Don Alfonso, though rather on the young in appearance; Kate Flowers and Robert Leggate (Ferrando) sang well, but may be in still better form as successive performances are given in Leeds, Norwich, Nottingham and York. By then, let us hope, the jarring effect of shadows walking on the back-cloth will have been removed, and an elegant salon chair will no longer be casually stuck into a sandy beach. ARTHUR JACOBS

Elizabeth Hall

Bolet by DOMINIC GILL

In theory, Jorge Bolet's piano recital on Monday should have made a fine contrasting postlude to Horowitz on Saturday—for in the Russian, the Cuban is both antithesis and sibling. Antithesis in his deliberate calmness, his containment, his almost studied avoidance of the manic and mercurial; but a brother from the same age of keyboard sensibility, which understands the piano as a "speaking" instrument of orchestral potential and nearly limitless expressive range.

playing seemed weighed down with anxiety; dark clouds hung somberly over the Song of the Lark. He came nearest to achieving his stride in his finale of Liszt's Mephisto Waltz no 1, but though the nerves were taut, the poetry was muted. No matter: off-days are a risk of the game; and Bolet's admirers will be happy enough to bide their time.

Sponsorship for Palace, Watford

After a successful year during which attendance figures averaged 87 per cent of capacity, the Palace Theatre, Watford, has announced that its autumn season will be sponsored by a local company, CASE, the data and office communications suppliers.

THEATRES

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F.T. CROSSWORD PUZZLE No. 4881

CROSSWORD PUZZLE No. 4881. ACROSS: 1 Soldiers agree intellectually... 5... and note, where they may live (6). 8 Bone grinder making Norman moulding (8). 10 Salt or Ordinary Seaman with ship's officer (6). 11 Projecting a weapon from the east (8). 12 Be dissimilar and wrangle (6). 14 Comedian Dick's material could be abrasive (5-5). 18 What the secretary may use to change notes attached to diagram (10). 22 A wise utterance or a clue without one letter (6). 23 Irrational sailors taking on worker (8). 24 Lively putty I mixed (6). 25 Musician or entertainer giving a dark look? (8). 26 Potter taking a parasitic plant (6). 27 A very thin outline (8).

CHURCHMOUSEWALT

CHURCHMOUSEWALT. DOWN: 1 More insane root of red development (8). 2 No note on Holland's dram? (8). 3 A river-head and river to create alarm (6). 4 Barrie's stomach (6, 4). 6 Natural propensity found in Salicin's tincture (8). 7 Game to jump with a swelling in the throat (4-4). 8 They must admit cunning body of divine rulers (8). 13 Fail to include a good fellow and make a blunder (4, 1, 5). 15 Mixed however placed in order (8). 16 Late taking role in an act (8). 17 Past, pass by degrees, and lose heart (8). 19 Dainty walrus left (6). 20 Get around a cleric in an upper room (6). Solution to Puzzle No. 4880.

HOW SUZUKI WON IN INDIA

The people's car from Japan

By John Elliott, Industrial Editor

The future of the islands

SINCE THE breakdown of the negotiations conducted by the UN Secretary General at the end of last week, the situation in the Falklands has changed in several important respects.

Intention Mr John Nott, Defence Secretary, made it clear in the House of Commons on Monday that the military aim was to repossess the Falkland Islands and there could be no question of negotiations until that aim had been achieved.

Danger The second question concerns the longest-term. During the seven weeks of the crisis there has not been complete clarity about the British aims.

Questions If this is an accurate description of the current British position, two questions arise. First, why does the British landing exclude the possibility of a negotiated settlement before rather than after an Argentine

SO YOU have come from Europe to discover how the Japanese manage to beat Europeans in the India car market, the head of a Japanese trading house in New Delhi said, laughing in that manner which means a serious point has been made, and no help will willingly be given.

His remark underlines the surprise in Europe's car industry when Suzuki last month won the contract to make cars and small vans in India, beating French, German and British manufacturers in an area that they have dominated for years.

Renault has been lobbying in India for a decade, knowing that eventually the country would have to modernise its main car models which are now 25-30 years old.

The deal—which is due to be finalised next month—is especially significant at a time when India is opening up for collaborative contracts with outsiders, slowly reversing its policy of near-total self-sufficiency.

France has won a major E90m telecommunications contract, beating the UK which has just lost control of a £13m steel-works order, while holding on to £230m of power station business.

The Japanese and Indians are however not usually regarded as natural industrial partners. India's labour disruption, power shortages and other infrastructure problems can seriously upset the calm and methodical production methods of the Japanese.

We do not like being involved in manufacturing industry here, though we do a lot of trade, Japanese businessmen told me in Bombay and Delhi. The bureaucracy and foreign ownership laws mean Japanese people are not anxious to invest.

The proposed Suzuki car deal is not only Japan's biggest car deal so far, it is also thought to be the biggest new foreign investment from any country since India introduced investment laws, nearly 10 years ago.

Suzuki is linking up with the Government-owned Maruti-Udyog company, which has an unused motor factory just outside Delhi. It will produce its 800 cc front wheel drive SS800, which was launched last year in the UK as the Alto, progressively switching basic manufacture from Japan to India.

The story of the deal goes back to the late 1950s and early 1960s when the Indian Government started thinking about modernising its car industry. Despite proposals for a "people's car," nothing hap-



PRODUCTION of the Suzuki 800 cc car (centre) with pick-up and van derivatives at a planned rate of 100,000 to 150,000 vehicles a year by 1987-88 will radically transform India's aged motor industry.

Total output of cars in India has remained stagnant at not more than 35,000 vehicles a year for the past

20 years and only two models are produced, a version of the British Triumph Herald having been stopped by the Indian-owned Standard company a couple of years ago.

Hindustan Motors of Calcutta makes a large Ambassador saloon based on the Morris Oxford of the early 1950s. It is now to be revamped with the body of

the Vauxhall Victor VX series (top right) which went out of production in the UK in 1978. The body tooling and dies have been bought from Vauxhall for about £5m

Premier Motors of Bombay makes a Fiat 1100 derivative, which is almost as old as the Ambassador and is being modernised with the body of the Spanish Seat 124 (centre

top), similar to the obsolete Fiat 124. Premier is spending some £20m on the project to boost its production from 20,000 to 30,000 cars a year.

A newcomer is Sunrise Auto Industries of Bangalore, which this month launches a four-door five-glass saloon called the Dolphin (left) under licence from Reliant Motors of the UK

India. (This remark which may have had more to do with manufacturing methods than the finished product, was still reverberating round Delhi nearly two years later.)

Renault and Volkswagen. Tenders were invited by the Industry Ministry for a five- or six-seater car from foreign companies that would take a 40 per cent equity stake and buy back for export half the planned production of 100,000 cars a year.

The Government did not feel it received enthusiastic tenders because the companies that bid—including Renault, Peugeot and BL—refused the equity and buy-back conditions. The companies generally limited their equity bids to 10 per cent, or the equivalent of money spend by India with the successful company on know-how or machinery.

In April 1981, the newly-nationalised Maruti itself took the issue over. At this stage, Renault's larkish one-year-old R18 was the favourite car, beating BL's Ital (the revamped Marina) and a newer Peugeot model. But the mood and pace of the talks changed once Maruti was in charge, although its strategy remained unclear.

In September, having decided to drop the buy-back conditions which they believed would be unenforceable, Maruti went to see the four continental European candidates. It was visited during the trip by BL which was keen to re-enter the fray, having upset Indian sensitivities earlier by saying in Delhi, when trying to sell the Ital, that the Metro was too sophisticated for

black briefcases tagging along behind. "Who are these civilians?" he demanded. "Surely they can't be adding to our destructive potential."

On yes they can, Mr President," an aide replied. "They're supply side economists smuggled over from the United States. We're told there is no limit to the damage they can do."

Next on the stage, a central banker related the tale of a man who needed an urgent heart transplant. He was given three choices: the heart of an athlete, of a young girl, or of a 78-year-old central banker. "Which did he take?" the last one of course, because it was bound to be absolutely unused."

The investment and banking services concern Dunbar Group is laying claim to be the bank with the extra special clients. Dunbar now wants to move from the Unlisted Securities Market to a full London Stock Exchange listing. Its reputation has been helped by the publicity given to its connections with 007. The James Bond star Sean Connery holds a 7.9 per cent interest in Dunbar through Vaninvest NV.

Now the bank also has a new and topical claim to fame. Another of its shareholders, sports agent Mark McCormack (who was responsible for introducing to the bank sporting people Bjorn Borg and Virginia Wade) has arranged for a Papa visit account to be opened at Dunbar.

The Pope's visit to Britain is expected to raise big sums for the Catholic Church through McCormack's International Financial Management marketing business. The banking services for that exercise will be provided by Midland and Dunbar.

Dunbar was first quoted on

It is often argued that India does not need a modern car (just as it can manage with older technologies in other fields). But on this occasion pride, political expediency and commercial sense came together. So by the end of November a Japanese winner seemed virtually inevitable. Renault tried to recoup some ground in the final days with an outline offer on its small R5.

Volkswagen suggested its Polo, and BL even offered a four-door Metro for 1985, with the Mini in between. But BL by this time was one of the highest bidders, way above the Japanese, having failed to sell its relatively cheap Ital which was based on gradually switching a complete production line from Cowley to Delhi.

In commercial terms the choice was made on the basis of three-part bids put in by all the companies. These covered: an initial lump sum (anything from £500,000 to £8m according to one competitor) on which Suzuki was said to be especially low; continuing royalties amounting to 3 per cent or less of the factory cost of Indian-made items (which therefore rise as Indian manufacture increases); and the price paid for knocked down kits, on which the Japanese are also said to have been especially low.

Suzuki (which had just

This mixture of products is likely to get over the problem of there possibly not being enough demand in India for all the cars at a selling price likely to approach £3,000 (£45,000). That price, which depends on the Government agreeing to a Maruti request for import duties on components, to be reduced from 120-160 per cent to 25 per cent.

Assuming Suzuki's negotiations with Maruti are successful assembly of cars is scheduled to start at the end of next year. This tight deadline is regarded as feasible by other companies involved. Maruti, however, has only about 40 men who will have to build up a management team quickly, maybe asking the Indian Government for permission to exceed public sector pay limits which are less than half those paid in India's private sector.

Many Indians, used to larger lusher cars than the Suzuki, now say the 800 will be too small for their needs and their rough roads. They complain they are only getting it because of the Sanjay dream of a small people's car, which has become politically respectable as his memorial. What certainly seems clear is that it was the need to realise that dream that opened the door for the Japanese victory in a European-dominated industry.

The World Bank woos the banks

AFTER A DECADE in which the financing of developing countries became abruptly, and worryingly, dependent upon private sector commercial banks, it is encouraging to hear Mr Tom Clausen, president of the World Bank, suggest that the World Bank and the commercial banks should henceforth work more closely together.

As the former chief executive of Bank of America, Mr Clausen is well placed to act as a bridge between private and official flows of finance. And now that he has convinced himself of the efficacy of the World Bank's approach he is also well placed to persuade the best help-in-the-world school in the Reagan administration that soft loans to impoverished developing countries need not be a waste of the tax-payer's money.

Overtures Mr Clausen made his overtures to the commercial bankers at the International Monetary Conference in Vancouver. He proposed three forms of co-operation. He suggested that the International Finance Corporation, the World Bank arm which lends to the private sector in developing countries, should collaborate more, with commercial banks. He also wants to widen its area of interest to embrace the poorest nations—sub-Saharan Africa, for instance.

His second suggestion was that the World Bank might promote a multilateral insurance scheme to attract private sector funds towards Third World countries. His third was that the World Bank should encourage the growth of co-financings, whereby commercial banks help raise the finance for World Bank projects.

Mr Clausen even suggested that the World Bank should itself participate in commercial bank loan syndicates.

The World Bank President is being more a pragmatist than a visionary in making these suggestions. He is satisfied that the World Bank should continue to act as a catalyst for international investment, but he knows that his institution does not have much financial leeway.

Men & Matters

Lloyd's mugs Lloyd's underwriters, I do believe, are regaining a sense of humour amidst their trouble-ridden insurance market.

Record losses from the ill-advised computer leasing insurance—\$60m and still counting—in the late 1970s did not leave Britain's premier insurance market with much to laugh about. The unworried men of Lloyd's had failed to appreciate that technology advances and outside Lime Street is a wicked world. The result was that underwriters were flooded with more than 20,000 insurance claims.

Murray Lawrence, a deputy chairman of Lloyd's, was one of the many who were caught and for the last few years has headed the working party that has been trying to sort out the mess.

Underwriting members of the working party recently held a lunch in Lawrence's honour and presented him with three silver tankards in appreciation of his efforts. The tankards were inscribed: "To W.N.M.L. from the other computer mugs."

Bus driver In the battle for the £655m passenger jets market over the next 10 years, Airbus Industrie, the European consortium in which British Aerospace has a 20 per cent interest, is clearly not going to surrender North America meekly to Boeing.

The European Airbus, in a neatly-timed coup, has secured one of America's leading transport experts as its top salesman there. He is Alan S. Boyd, the outgoing chairman of Amtrak, the Government-subsidised passenger rail service, and former chairman of the Civil Aeronautics Board.

Competition for world airline orders is going to become intense between the Airbus A300, the new and smaller A310

and Boeing's 757, 767 and 737-300. And Boyd, remembered in London as a tough negotiator who led the U.S. team in the talks five years ago that secured the Bermuda Two air services pact, seems a good choice to represent the Europeans at the sharp end of the business.

"He's a tremendously effective politician, a real pro," says Bracey Williams, a former U.S. under secretary of commerce. "He combines studiousness and a complete understanding of the transport system with a fine sense of how Washington operates."

Boyd's political canniness and contacts come from 25 years experience in the capital where he arrived as a member of the CAB after working in the transport systems of his native Florida. In 1967, then President Lyndon Johnson selected him to serve as the country's first Secretary of Transport.

For the past four years, the 59-year-old Democrat has been waging an uphill fight to save Amtrak from devastation at the hands of President Reagan's budget cutters.

One of his allies in the fight to keep Amtrak afloat has been Congressman James Florio, who says of the "extremely competent" Boyd's move: "It is our loss and your gain."

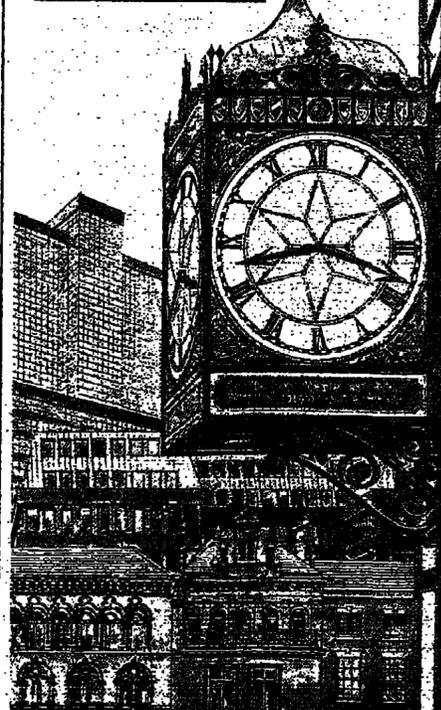
Good at heart The Organisation for Economic Co-operation and Development too, it seems, is a jollier body than the invariably gloomy reports it issues would suggest. Here are just a couple of the stories which, I am told, had them rolling in the aisles at the recent OECD meeting in Paris.

President Brezhnev, recounted one speaker, was watching a military parade in Red Square. As the last rockets and tanks rolled by, he noticed to his surprise, a troop of dismal little men in grey suits and carrying

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Notes taken

Egypt's economic minister Dr Fuad Hashem has decreed that no more £E100 notes are to be printed. The reason? As Egypt's largest denomination notes in circulation, they are also the most convenient for smuggling out of the country into Saudi Arabia.

There a U.S. dollar can be bought for £E0.96 compared with the Cairo street rate of £E1.08. And as a result, there is a premium on the £E100 notes in Cairo where they sell for between £E102-103.

So much for the textbook principles of currency convertibility. But though Hashem's order may be had news for Egypt's unofficial exporters, it may boost British exports of the paper from which the banknotes are made. A lot more paper will now be needed to replace the century notes with the £E20 notes that are the next highest denomination.

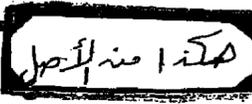
Capped

Heard from an American in a Kensington hotel bar: "Myrna knows nothing about cricket—she thinks a fast bowler is some kind of hat the players wear."

Observer



IRAN-IRAQ WAR



Now the real battle begins

By Roger Matthews, Middle East Editor

THE VICTORY of Iranian forces in Khorramshahr on Monday may signal the end of stage one of the Gulf war. It also marks the beginning of the real battle for political dominance in this vital oil-producing region of the world.

The speed with which morale appears to have collapsed within the Iraqi army bodes ill for the future of President Saddam Hussein. Khorramshahr was the only major town taken by Iraq during 20 months of fighting and it represented the only bargaining card for Baghdad in any peace negotiations with Tehran.

Ayatollah Khomeini, Iran's religious leader, is now in a position to dictate his peace terms or, if they are not accepted, to increase the pressure on Iraq by occupying areas of its territory.

This prospect is causing near panic among the conservative Arab oil producers of the Gulf, which fear, above all, the emergence of a powerful militant Moslem bloc in the region. Senior Arab diplomats said yesterday that it would be difficult to overestimate the impact the Iranian victory was having on their governments.

Countries such as Saudi Arabia, Kuwait, United Arab Emirates, Bahrain and Qatar feel acutely vulnerable. They have pumped at least \$22bn into Iraq since the war started in an effort to blunt the militant edge of the Iranian revolution and have now discovered that cash—their only significant weapon—is not enough.

There is no prospect of a united Arab response to "Persian" expansionism. Four hardline Arab states together with the Palestine Liberation Organisation reaffirmed their support for the "friendly Iranian revolution" on Monday night and said they would oppose any wider Arab involvement in the Gulf war.

Syria, Algeria, Libya, South Yemen and the PLO said after ministerial talks in Algiers that they regarded the war as over and urged closer links with Tehran. At the same time Col Gaddafi of Libya has intensified his attacks on the Saudi royal family. In a speech at the end of last week he even suggested that it might be necessary to launch a holy war



in order to free the holy places at Mecca and Medina from their control.

These hardline states are also committed to oppose any attempts by more moderate regimes to bring Egypt back into the Arab fold. Egypt recently increased its military sales to Iraq and was urged by President Saddam Hussein earlier this week to send troops to Baghdad.

Undoubtedly the Arab radicals believe that if Egypt remains isolated it will be far easier to exert pressure on Saudi Arabia and the other conservative Gulf regimes and to push the Arab League towards the adoption of more militant policies.

Ayatollah Khomeini is certain to demand the removal of Iraq's President Saddam Hussein as part of any peace settlement and he would be supported in this by Syria in particular. The Syrians are locked in a bitter ideological dispute with Iraq and, while providing material support for Iran, they have tried to cripple Iraq economically by shutting its oil export pipeline to the Mediterranean.

It may not prove easy to remove President Hussein and even more difficult to eject the leading elements of the Ba'ath Party which dominate Iraq politically. The Ba'ath Party fought long and bloodily to take control of the country and have ruthlessly maintained their grip on power.

Even though part of the Iraqi public may concede that the President humiliated mightily by invading Iran in September 1980 and has cost the country dearly in both human and economic terms, there is no political machinery through which that frustration can be expressed.

The traditional method of removing the President would be through a coup within the party or through a military takeover. However, neither option would be likely to satisfy Tehran which ideally would like to see the emergence of a clerical regime dominated by their co-religionists from the Shia branch of Islam who form about 50 per cent of the Iraqi population.

It is this heady dream of Iran and Iraq forming a single political bloc which so inspires

the clerics in Tehran and terrifies the states on the other side of the Gulf. Between them they would have a population of close to 55m, possible oil production of over 8m barrels a day, effective control over the vital Strait of Hormuz through which about 40 per cent of the industrialised world's oil passes and a large battle-hardened army which could overwhelm all other forces in the region.

The temptation to export Iran's fundamentalist revolution more vigorously would probably prove irresistible. An attempt to overthrow the government in Bahrain at the end of last year is widely thought in the Arab world to have been inspired by Iran and members of other Gulf governments privately admit they expect similar such attempts in their countries.

Ayatollah Khomeini has said repeatedly that other governments have nothing to fear from Iran, unless they are corrupt. His definition of a corrupt regime is likely to encompass most of those currently in power in the Middle East.

The other main Iranian condition for peace with Iraq is

the payment of war reparations and it is in this area that the Saudis and their friends may literally seek to buy time for President Saddam Hussein. Prince Saud al-Faisal, the Saudi Foreign Minister, flew to Syria on Monday for talks soon after the fall of Khorramshahr was announced and it is probable that he discussed the likely Iranian terms for a settlement.

Arab diplomats said yesterday that it was conceivable that Saudi Arabia, Kuwait and the other oil producers in the Gulf would offer perhaps \$10-\$15bn to Iran in return for a peace treaty with Iraq. This, however, would fall well short of the \$50bn which members of the Iranian regime have mentioned in talks with organisations attempting to mediate in the war.

There is also no guarantee that Iran would stick to its side of the bargain. Having already given Saddam so much spending over the past 18 months it hurts, but is no real problem, for us to provide more if that stops the war," an Arab diplomat commented. "But what guarantee do we have. How do we know with whom we are dealing? To be frank it is very difficult to know who is really in charge in Iran."

There are parallel suspicions that Khomeini has no interest in halting the forward march of his troops and revolutionary guards. The war has strengthened the grip of the regime and reduced overt internal dissent. The return of victorious troops to Tehran and the subsequent concentration on domestic affairs is scarcely an appealing prospect for the Government.

Iran's behaviour at last week's meeting of the Organisation of Petroleum Exporting Countries in Ecuador also suggests that its victories in the Gulf war have prompted an even less compromising attitude. Not only did Iran refuse to accept any Opec limits on production levels but its officials launched bitter personal attacks on other Ministers and most especially on Sheikh Ahmed Zaki Yamani of Saudi Arabia.

The implications of Iran's apparent victory in the Gulf war are likely however to prove far more profound than short term considerations over oil supply and pricing. It is the victory of a people and an ideal over a

more pragmatic, better prepared and better armed regime. The motivation which prompts men to ride bicycles into minefields shouting "God is Great" and to go joyfully to their death is not something which can either be purchased or easily halted.

Since the stirring days of Egypt's President Nasser in the late 1950s and 1960s when the potent force of Arab nationalism was born there has not been a single force which spread across the national boundaries of the Middle East and provided a single unifying force.

But in the past 12 months it has been Moslem fundamentalism which ended the life of President Anwar Sadat and came close to dealing a more severe blow to the established political order in Egypt. It has been the rallying point for the opposition to President Hafez al-Assad of Syria during recent bloody fighting. And its slogans have been increasingly heard during the Palestinian demonstrations against continued Israeli occupation of the West Bank and Gaza.

The excesses of the Khomeini regime which have appalled so many people in the West, within the Middle East, to set against the excesses which characterise some of the secular regimes. The distortions caused to Arab society by the contrasts between sudden new wealth and persistent grinding poverty have been exacerbated by the failure of Arab leaderships to deliver what they promised their own people.

It is these frustrations which the Iranian regime wishes to exploit in pursuit of its wider goal: the unity of the Persian and Arab nations through the coming together of the Shia and Sunni branches of Islam.

Victory in the Gulf war has for the Iranians demonstrated the power of the Shia sect. The replacement of President Saddam's non-secular regime in Baghdad by a government of clerics drawn from both Sunnis and Shias would provide the model for the rest of the Middle East.

Attention may well be concentrated for some weeks on the military balance between Iraq and Iran, but Tehran's victory at Khorramshahr may well have set the stage for the wider battle yet to come.

Lombard

Dissent on the Falklands

By Samuel Brittan

EVENTS SINCE my Lombard article of May 8 entitled "Stop the killing straightaway" have only reinforced the message of the title.

In the earlier article I dealt with the argument that the present slaughter is necessary to fulfil obligations to the Falklanders. No group of 1,800 British subjects can demand that degree of sacrifice.

How then about the arguments of international principle, that "aggression must not be allowed to pay," that "countries should not take the law into their own hands, and so on? If there were an international order based on these principles then there might be a case for Britain playing its part with other countries in an international police operation.

Unfortunately there is no such international order. The principle of not acquiring territory by force was not even recognised before the 20th century. (Much of the British Empire was acquired by raids similar to General Galtieri's.) Even in recent years the principle has been applied in practice mainly in East-West relations in the European and Nato areas, where the risks and costs of nuclear escalation are so obviously high. Elsewhere it is struggling for a toehold.

Even if such an international order existed it would not be worth paying an unlimited price to uphold it. The scale of the human loss in relation to the interests at stake would always be relevant. The killing and maiming of a genuine police keeping operation could only be justified as a lesser evil to avert more suffering in the future.

But to see the operation as primarily policing in defence of the UN charter is to concede too much. Such a view presupposes that the British action is an altruistic one for the sake of the world. If this is so, why are Britain's allies—let alone the rest of the UN—not merely keeping out of the fighting but having to be so heavily persuaded into very moderate economic sanctions which deliberately refrain from applying the financial tourniquet to the Galtieri regime?

If it really were a UN peace keeping action why did the British government have to be persuaded by a relatively junior diplomat to take the issue to the Security Council? Why the present reluctance to see the sovereignty issue decided by the UN General Assembly?

These queries about the nature of the operation severely weaken any exemplary effects success could have in promoting international order. If after the failure of the international community to act in Goa, Afghanistan or Vietnam-Cambodia the British retake the Falklands, will the lesson be that "aggression does not pay after all" or that "even middle-sized countries such as Britain and the Argentine have armed forces to be reckoned with?"

The impression given by the Foreign Office to the Argentine over many years that the Falklands were not a vital British interest—and the genuine astonishment in Buenos Aires at the London reaction—further weakens the case for warlike retaliation. If Mrs Thatcher had been in personal charge of the Foreign Office for the last ten years, General Galtieri would almost certainly not have dared to invade. But it is no consolation to widows and orphans to know that they are paying for the Foreign Office's mistakes.

There are those who say "even if you are right does not the logic of events compel the British Government to finish the job?" There is no such thing as the "logic of events" which deprives human beings of their power to decide. Any ceasefire proposal would be more acceptable than further loss of life on a scale of all proportion to the original cause.

No, I do not think that merely living to the age of 120 is the highest human goal. But whereas it may be admirable for an individual to stake his own life for higher goals—or merely for fun or sport or the joys of risk taking—it is far from admirable for politicians and voters "now a'bed" to indulge in these feelings at the expense of younger people.

Letters to the Editor

The Falklands: time to look beyond animosity

From Mr E. Woodbine Parish
Sir,—It is time to be looking beyond the animosity engendered by war, and to resume the traditional ties of friendship that have existed over the years between Britain and the Argentine. To this end, Her Majesty's Government should promote a programme of economic assistance and revival for the Argentine. This should encompass the joint development of the Falkland Islands, which can have little hope of a viable future without Argentine co-operation. It would also be of great benefit to our own country to secure a stable trading partner in a nation endowed with great natural resources.

The Argentine is a land of lost people looking for leadership; if a radical programme of economic reform, such as recently put forward by Alemagna, and pursued by the first glimmer of success by our own government, were given the active encouragement of the West, the patriotic fervour of her people might be channelled into a resurgence of productive vigour, and remove the incentive to embark on vainglorious adventures of absurd proportions.

Let us not delude ourselves by desiring the junta, nor succumb to an era of hostility. Instead, let us offer the proven strength of our leadership to reconstitute and revive an area splendid for its resources, but pathetic for their squandering. Let us have a vision for the Falkland Islands, not as a beleaguered garrison, but as a strategic centre for the dynamic development of the Southern Atlantic.

Thank goodness the sceptics have thus far been disproved on the military front: how much more efficacious for everyone if an economic success can be raised from the desolation of the Argentine economy.
Robin Woodbine Parish,
41, Cheval Place, SW7.

From Mr D. Harries.
Sir,—Despite the welter of information that the media have churned out recently regarding the Falklands, it would appear that some of your readers (which is surprising) are still ill-informed.

I refer in this instance to Mr P. F. Newman who (May 19) assumed that "the islanders' desire to remain British may be influenced by many years of British aid funds." What an insult!

Some months ago on BBC TV (pre-Panorama) Lord Shackleton made the following point: "These people are British, who want to go on being British, and whom, frankly, the British have been exploiting. I don't think even now the Government accepts that over the years the Chancellor of the Exchequer has been making twice as much out of the taxes paid on profits repatriated from the Falkland Islands as we have been giving in the way of aid."

Only in recent years has there been any aid and most of it was spent building the airport at Fort Stanley, which at the time Falkland islanders said was built for the benefit of the Argentine.

We Falkland islanders are interested in the views currently being expressed, but please get the facts right.
D. J. Harries,
10 Albert Road, Caversham, Reading, Berks.

From Mr P. Tray
Sir,—What masterly illogic Mr Paul Burns (May 21) displays. True — the Falkland Islands were lost by culpable negligence. But to suggest that the only objective in recapturing them is to acquire "the right to decide when and how we will give them back" begs the whole question of whether they should ever become part of Argentina.

Unlike your editorial on the same day, I congratulate the Prime Minister for withdrawing all previous offers that had been on the table. While Argentina had not shifted its stance on sovereignty one iota, all concessions had come from the UK side. If one party to negotiations knows that any and all offers from the other party will remain on the table indefinitely, that party has every incentive to procrastinate, which is exactly what Argentina has done.

No doubt Mr Burns, in his generation's "duty to survive" would label Manchuria 1931, Abyssinia 1936, re-occupation of the Rhineland 1936 and Czechoslovakia 1938 as "trivia, naturally totally unconnected with a real problem" such as World War II.
Peter H. Tray,
Richard, Archib and Co,
Victoria House,
Southampton Row, WCI

A way forward for Europe

From Mr C. Jackson, MEP
Sir,—At present the "cost" or "profit" of Community membership for each country is a simple subtraction sum: the revenues (the effects of Community policies) less the charges (roughly 1 per cent VAT plus Customs duties). This means that whenever the Commission proposes a new policy each member state works out whether it will finish up in or out of pocket, and this frequently influences its attitude far more than the merit of the proposal to the Community as a whole. The result is that the pace of progress is painfully slow, with Byzantine bargains abounding.

To reform this tortuous process we must break the link between the policy and its immediate cash bonus or cost effect on individual states. The European Parliament has suggested a sort of Community tax system such that the overall cost of membership would be roughly proportional to gross domestic product per head. Such a system would not only solve Britain's budget problem permanently, but would avoid similar problems for others in the future, and greatly ease Community decision taking. It would not be acclaimed by states who benefit most under the current system, but this is surely the "communitaire" direction in which we should firmly steer the debate.
Christopher Jackson,
Medlars, Oak Hill Road,
Sevenoaks, Kent.

Security service abroad

From Professor F. Campbell
Sir,—Mrs Thatcher's statement (reported May 21) that known homosexuals are no longer a security risk and should be allowed into Britain's security service is warmly welcomed by the Conservative Group for Homosexual Equality.

We would, however, challenge the case for continuing to bar homosexuals from foreign posts in the security services. It is true that homosexual acts are still criminal offences in some states to which people in the diplomatic service could be posted, but that fact is no more an adequate reason for barring homosexuals from all security service abroad than the fact that women could hardly be sent to diplomatic posts in certain countries is a reason for excluding them from all service abroad.
(Professor) Peter Campbell,
6 Troynon Court,
37, Eastcote Avenue, Reading

Accounting for inflation

From Professor H. Edey
Sir,—Sir Anthony Burney (May 22) advocates cash flow accounting as a better method than current cost accounting. The case for cash flow accounting in the sense of management planning and control based on short and longer-run cash projections, and the monitoring of these by comparison with actual, seems overwhelming. This was recognised by the late Sir Ronald Edwards at the London School of Economics as long ago as 1938, as his writings at that time show.

In my view the intellectual and practical justification of current cost accounting is based on a recognition of this, coupled with the belief that for a number of reasons the abandonment of accrual accounting for reporting to shareholders, creditors and others is precluded, even though cash flow accounting is

conceptually simpler. Current cost accounting is far from perfect, but has certainly found favour with some management. Its use seems more consistent with belief in the importance of cash flow projections and controls than the use of historical cost accounts. A company that plans and controls on the basis of cash flows, but reports costs and profits in historical cost terms, is like a ship that navigates by radar and reports its voyage to its owners by a plot on a fifteenth century chart.

(Professor) Harold Edey,
The London School of Economics and Political Science,
Houghton Street, WC2

Competitive bids

From Mr P. Hari
Sir,—Mr E. H. Ring (May 11) suggests that the Royal Institute of British Architects and the

Royal Institution of Chartered Surveyors are wedded to the theory of competitive tendering and that this produces poor quality building.

I cannot speak for the architects but I know that the quality of building stems very much more from quality of specification and quality of supervision of construction work than from the method of tendering. In any event chartered quantity surveyors have long recognised the need for careful consideration of all the circumstances before the method of contractor selection is chosen. Indeed the RICS publication "Placing orders for major construction works" outlines the many options available and I am sure Mr Ring will be glad to know that these include such things as "negotiation," "cost reimbursement," "design and build" as well as the various forms of competitive tendering.
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UK COMPANY NEWS

Bread discount war hitting RHM

WITH PRE-TAX profits of £13.66m, Rank Hovis McDougall, the food manufacturing, processing and marketing group, having fallen back from £21.60m to £21.04m for the six months to March 31 1982, shareholders are warned that profits for the full year will be well below the figure of £45.28m made in the previous 53 weeks.

Explaining this, Mr P. W. J. Reynolds, the chairman, says the group's British Bakeries offshoot is caught up in an un-supportable price and discount war which he says has done great harm to the profits of bakers and to a varying but serious extent, to retailers. In this situation, British Bakeries is inevitably incurring substantial losses in maintaining its business.

The outcome of the situation in the bread market is not yet predictable, Mr Reynolds states. But in response to the position, urgent and far-reaching plans have been put into operation to improve the long-term profitability of the bread baking business.

In other main sectors of its business, such as overseas, grocery products, packaging and milling, very satisfactory profits have been recorded and the group is investing in these areas for further growth.

Grocery and packaged cake operations benefited from further extensions of their product ranges, while profits from overseas interests were significantly higher than for the same period last year.

As a result of the actions being taken, the chairman is confident that the group has the ability to improve profits significantly in the medium and longer terms.

The interim dividend is being maintained at 1.524p net per 25p share—the previous year's payments totalled 3.557p.

External sales for the half year moved up from £783m to £833m.

At the trading level, profits showed a reduction from £39.23m to £37.49m, before charging rationalisation costs of £396,000 (£175,000), depreciation of £11.35m (£10.94m) and interest of £8.29m (£8.08m).

Pre-tax figures included higher investment income of £1.61m (£1.00m) and associates' contributions of £2.58m (£2.19m). Profits attributable to ordinary holders dropped from £14.25m to £13.66m, after tax of £5.7m (£6.5m), minority credits of £107,000 (£9,000), extraordinary debits of £1.55m (£755,000) and preference dividends.

Stated earnings per 25p share for the period were unchanged at 5.5p.

To increase profitability and reduce manufacturing costs at British Bakeries, which has a very large share of the UK bread market, seven bread bakeries have been closed and their production concentrated into more efficient bakeries within the British Bakeries chain.

At the same time, the company has announced that its Glasgow bakery is to be replaced in the next 18 months at a cost of £11.5m, partly funded by a special grant from the Scottish Economic Planning Office; site clearance is well advanced and building is scheduled to start in July.

The flour milling business, Rank Hovis, has greatly benefited from its continuing programme of concentration of production. This involved the recent closure of the flour mill at Belfast and further investment to modernise major flour mills.

The farm supply business, RHM Agriculture, is in the process of being restructured under a new management team to improve further its efficiency and profitability.

The group's successful grocery products business has been reorganised into two separate and smaller businesses to concentrate

HIGHLIGHTS

After briefly reviewing the behaviour of the stock market which consolidated Monday's sharp gains the Lex column goes on to comment upon Grand Metropolitan's long-awaited rights issue which comes out on a one-for-seven basis, raising £125m to fund the group's recent large U.S. acquisition. Rank Hovis McDougall's latest offering is unchanged interim profits following on a sharp increase in the second half of last year. There has been good profit growth overseas in the latest six months but those and gains in UK groceries and flour milling, have been wiped out by losses on bread. Finally the column tries to unravel the first published set of figures from Cater Allen, the discount house formed last year as a result of a merger of Cater Ryder and Allen Harvey.

trate more management skill and effort into their further development. Important progress anticipated from both businesses.

In the U.S. the group acquired in April Western Food Products, which has factories in Colorado and Kansas, and so extends its distribution area from the North-East States well into the West. A £5m investment programme is well advanced to enlarge the pasta factory at Buffalo.

The group's American companies are in three main and very important markets—apple juice and other apple products; pasta; and general products. Recent developments are part of its corporate plan for the U.S. of building carefully on established success in clearly-defined product markets. RHM's capital investment in the U.S. is now approaching £40m.

Regional responsibility for the group's profitable and expanding companies in the Far East and Australasia has been concentrated in Singapore to more closely monitor the development of its businesses in this region. Sales of its traditional products are being vigorously promoted.

See Lex

Parkland Textile up sharply to £0.53m

TAXABLE profits at Parkland Textile (Holdings) were sharply higher at £398,000 for the year to February 26 1982, against £202,000. Turnover rose from £32.67m to £34.24m.

The final dividend—of this close company, with interests in making yarns and clothing, is held at 2.1p, for a same-again total of 3.7p net per share. Earnings per 25p share were given as 5.5p, compared with 4.6p.

Tax took £121,000 (£144,000) and minorities £5,000 (£16,000), for an attributable profit of £399,000 (£330,000). Extraordinary debits came to £69,000.

On a current cost basis there was a pre-tax loss of £1.4m (£1.18m loss).

Cater Allen Holdings Phoenix Assurance has very poor first quarter

DISCLOSED NET profits of Cater Allen Holdings, the group formed by the merger last November of Cater Ryder, the discount house, and Allen Harvey and Ross, were £2.07m for the year ended April 30, 1982.

No comparative figures are given for 1981. However, disclosed earnings from the old Cater Ryder concern for the 12 months to end April, 1982, amounted to £1.2m.

Earnings for the merged group to end April included Cater Ryder for the full year and the old Allen Harvey company from the merger date.

From its former balance sheet date of February 5, 1981 to the date of the merger Allen Harvey incurred a trading loss. This loss, together with its interim dividend payment of £330,000, were netted off against accumulated, disclosed earnings of £1.03m to produce an additional credit of £202,000 in the latest accounts.

The consolidated profits of Cater Allen Holdings were struck after providing for rebate, tax and a transfer to contingency reserves.

See Lex

Phoenix Assurance, like the other UK composite insurance groups, experienced a very poor first quarter result, largely from the severe winter weather.

The company recorded a pre-tax profit of £100,000, against £8m in the first quarter of last year. The other companies which have reported, have turned in pre-tax losses for the period in the UK. Underwriting losses more than doubled from £7.9m to £16.1m, with UK losses rising from £1.7m to £9.8m accounting for most of this increase. Investment income rose by over 20 per cent (16 per cent ignoring currency fluctuations) from £13.3m to £16.1m. Slightly higher life profits enabled Phoenix to break even on the quarter.

Although the company had a net tax charge, higher minority interests resulted in a net loss of £600,000 against a net profit of £3m last year.

The unusually severe winter weather in the UK cost the company some £2m more than normal in adverse weather claims since the New Year, with the winter since December costing the company over £2m.

The domestic household, commercial property and commercial motor account, were affected by the severe weather, but the private motor account appears to have been only marginally affected.

Nevertheless, the motor account is running an underwriting loss of just under £1m in the period. The two rate increases made so far this year are too small and too late to affect the first-quarter results. Phoenix lifted its rates by 3 per cent on February 1, and its subsidiary Bradford Pennine by 7½ per cent on May 1.

The underwriting loss in the U.S. was £2.5m against £1.5m, with the operating result working from 107 per cent to 110.7 per cent—in line with the 110.5 per cent for 1981 as a whole.

The results in Canada were affected by the weather and underwriting losses in Europe rose against the corresponding period last year. But there were significant improvements in most other countries.

General premium income rose 14.7 per cent from £102.7m to £117.6m. There was strong

growth in life and pensions business, with annual premiums rising by one-third from £5.3m to £7m and single premiums by 30 per cent from £8.5m to £11.1m.

comment

The market was expecting poor first quarter results from Phoenix in line with the dismal figures from the other U.S.-orientated composites and they got them. The impact of the severe weather last winter was even worse than expected and the company just managed to clear itself at the pre-tax profit stage. But the impact of the weather on profitability only highlights the total inadequacy of general insurance premium rates on a worldwide basis, a feature admitted by Phoenix's chairman. Although the rest of the year is not likely to be overshadowed by dramatic weather conditions, the company is going to feel the effect of inadequate rates worldwide for some time and cannot expect to match last year's £30m pre-tax. The market, however, reacted favourably with the share price rising 10p to 238p, yielding 10 per cent.

ISSUE NEWS

USM quote sought by brewer Ruddle

G. Ruddle, the Rutland brewer, is seeking a quotation for shares in USM and raising £1.2m by way of a placing of 0.86m ordinary shares at 140p per share. Ruddle's is issuing 0.5m new shares to raise new capital for the company, while the remaining shares are being made available by existing shareholders. Approximately 18 per cent of the enlarged ordinary share capital is being placed.

Ruddle operates from a single site at Langham in Rutland where it has been brewing stout since 1863. Ruddle's 28 of its 39 public houses in 1978, it now sells its products to the take-home trade and the on-trade. Profits before tax have increased from £64,000 for the 15 months to March 1978 to £83,000 for the year to March 1982.

Messel & Co. are brokers to the placing.

Norgas seeks £11m private placing

NORGAS, Norway's leading producer and distributor of commercial and medical gases and welding equipment, is seeking to make a private placing of 800,000 shares with City institutions this week.

With the shares currently trading at Nkr 147.5 this would raise about Nkr 118m (£11m), which the company aims to use for further capital investment in Utoier, the 54 per cent-owned sheet services company, and expansion generally.

The placing, handled by Bank of America International, is seen in London as a prelude to the group seeking a London Stock Exchange listing. However, no firm plans have been announced by the company, whose shares have been traded in London for several years.

The placing, which will represent about 13 per cent of the enlarged capital of Norway's second largest industrial company, has been made possible by the relaxation of Norwegian government restrictions on the permitted foreign interest in the group. The ceiling has been lifted from 20 per cent to 30 per cent.

The group's sales and profits have risen at annual average rates of 23 per cent and 33 per cent respectively since 1977. For 1981, sales were Nkr 1,830m (£128m) and profits Nkr 129.9m (£11.8m).

As with other Norwegian companies, equity—Nkr 198m before the placing—is kept at about 30 per cent of net assets. However, analysis of the balance

Wolverhampton & Dudley ahead

AN INCREASE of 9.3 per cent from £4.1m to £4.52m in pre-tax profits is reported by the Wolverhampton and Dudley Breweries for the half-year to March 31 1982. Mr E. J. Thompson, the chairman, says the increase has been brought about by light control of costs in the breweries and company's managed public houses.

He says the continued high unemployment in the West Midlands, combined with the severe weather of last winter, has reflected in sales volumes. Turnover, however, increased by 12.3 per cent from £34.04m to £38.19m.

The interim dividend is raised to 1.5p net (1.56p)—last year's total was 3.5p from pre-tax profits of £10.23m (£9.05m).

Full listing for Dunbar

Dunbar Group, the banking and investment services concern, is seeking to become the second company to progress from the Unlisted Securities Market to a full Stock Exchange listing. The first company to do this was Markheath Securities last month.

Dunbar joined the USM in December 1980 by way of a placing of 100,000 shares, representing 10 per cent of equity. In June 1981 it acquired Tower Fund Managers, the private investment management company headed by former Slater Walker man Mr Brian Banks. This deal, worth £1.25m, involved the issue of 300,000 new Dunbar shares, giving Tower's shareholders 23 per cent of the enlarged capital.

Since then a number of long-term shareholders have sold shares, and though the control of the group remains with the directors of Dunbar and Tower, about 40 per cent of the company has now become more freely available for trading.

Thus the group is able to make a somewhat upgraded move to full listings. Dealings are expected to begin on June 1.

Wolverhampton & Dudley ahead

customers who lack the facilities necessary to keep traditional draught beers in peak condition. This is proving a useful addition, he says, to its product range and is going well.

Silvermines profits steady

The directors of Silvermines, the Dublin based mining group, expected first half operating profits to be broadly in line with the same period last year, but associated company contributions would show a reduction. Mr G. E. Russell, chairman, told shareholders at the annual meeting.

He said he was confident the results for the year as a whole would be satisfactory, particularly in view of the severe recession.

The buoyancy in revenues from the Magbor royalty would be maintained throughout the current year, with negotiations for an increase in the royalty rate still proceeding. They expected a significant increase in the royalty contribution from the Kinsale Head gas field.

The new venture into cold storage, Irish Cold Stores, was estimated to break even this year and would move into profits in 1983.

Anglian Windows were experiencing a substantial increase in sales which were now running at over Ir£1.5m a week.

Silvermines' interim figures would reflect a reduction in Anglian's profitability but its management were confident that the growth in profits would be resumed in the second half.

comment

A pure regional brewer such as Wolverhampton and Dudley commands a scarcity premium; the 4 per cent yield is 21 points below that for the brewing sector. Wolves' volume has undoubtedly fallen but, by far less than the industry's decline of 9 per cent in the same period, it has kept the business picked up at the time of the Ansell's strike last year and with a pricing policy aimed at increasing its prices since last July. The company enjoys a 40 per cent market share in its economically depressed Black Country, but now has to look for expansion of its trading area, concentrating on Birmingham. It also wants to build up the 20 per cent of its sales to the free trade. Five new public houses, costing an average £300,000, are planned to open before Christmas, adding to the company's 700 public houses, but the end of the company's 10 year expansion of production facilities will mean a tailing off of tax relief as investment is switched to improving public houses.

comment

Having planned to make its USM debut in February, Ruddle's was given rather a nasty jolt by its trading figures for January, and decided to pull the issue.

DIVIDENDS ANNOUNCED

Company	Current payment	Date	Corre- div	Total last year	Total this year
Carroll Inds	2.7	July 9	2.25	—	6.25
Cater Allen Hldgs	19.61	July 1	18.18	23.8	23.1
Kelsey Inds	2.5	—	2.5	—	8
Leeds Group	1.5	July 1	—	—	3.5
P. Panto	0.3	July 9	1	0.3	—
Parkland Textile (Hldg)	2.1	July 18	2.1	3.7	—
Ranks Hovis McDgall	1.52	July 18	1.52	—	3.56
Stakis	0.5	Sept 9	0.45	—	1.8
Whampson & Dudley	1.8	June 30	1.65	—	5.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM Stock. §Irish pence throughout.

1782-1982

Phoenix Assurance plc

Interim Statement

ESTIMATED RESULTS TO 31st MARCH 1982

The following are the estimated and unaudited results of the Phoenix group of companies for the three months ended 31st March 1982 with the comparative figures for the corresponding period in 1981 and actual results for the full year 1981.

	3 months to 31.3.82	3 months to 31.3.81	Year 1981
	£m	£m	£m
Net premiums written:			
General (fire, accident, marine and aviation)	117.8	102.7	432.2
Investment income	16.1	13.3	61.3
Underwriting results:			
General	-16.8	-7.9	-35.4
Long-term	1.3	1.1	5.2
Long-term	0.6	6.5	31.1
Less expenses not charged to other accounts	0.5	0.5	1.0
Profit before taxation	0.1	6.0	30.1
Less: Taxation	—	2.5	10.9
Minority interests	0.7	0.5	2.6
Net profit	-0.6	3.0	16.6

US dollar transactions are converted at the rate of \$1.78 for the 3 months to 31st March 1982 (\$2.24 for the 3 months 1981 and \$1.91 for the year 1981).

NEW LONG-TERM BUSINESS WORLD-WIDE

	3 months to 31.3.82	3 months to 31.3.81	Year 1981
	£m	£m	£m
Sums assured	870.8	589.6	2,964.0
Annuities per annum	4.6	4.2	33.0
Annual premiums	7.0	5.2	27.1
Single premiums	8.5	6.5	24.6

Chairman's Comments

At the annual general meeting of the company held today the Chairman, Mr Jocelyn Hambro, included in his remarks the following comments on the results for the three months ended 31st March 1982.

"In my statement with the 1981 accounts I referred to the inadequacy of premium levels to meet the ordinary run of everyday losses with little or no margin to cope with the abnormal event. This comment is borne out by the claims experience of Phoenix and other insurance companies for the first quarter.

"The unusually severe winter weather in the United Kingdom has cost us some £8 million more than we would normally expect. The total United Kingdom fire and accident underwriting loss was £9.9 million.

"The first quarter's operating ratio in the United States was 110.7 which, although higher than the corresponding quarterly figure of 107.0, is in line with the ratio of 110.5 for the full year 1981. The underwriting loss was £2.9 million.

"In Canada, also affected by the weather, and in Europe, underwriting losses are higher than at this time last year. On a more encouraging note there has been a significant improvement in the results from most other overseas countries.

"Our life and pensions business has continued to develop very well indeed, with new sums assured again showing good increases over the satisfactory levels of 1981.

"Investment income has increased by more than 21% (16% in original currencies) but the poor underwriting results, particularly from the United Kingdom and North America, have inevitably left their mark on our profits which, before tax and minorities, are down to £100,000 compared with £6.0 million for the first three months of 1981.

"We have in the past emphasised that quarterly figures are not a reliable indication of results for the full year. This is especially so on this occasion."

25th May 1982

Summary of Accounts

for the year ended 31st December 1981

GROUP PROFIT AND LOSS ACCOUNT	1981	1981	1980	1980
	£m	£m	£m	£m
Operating revenue	81.1	20.2	78.4	81.2
Operating expenditure	80.8	6.8	7.1	6.7
Operating profit	0.3	13.4	71.3	74.5
(US\$ loss)	10.8	10.9	—	—
Taxation	—	—	75.8	77.1
NET PROFIT	(10.5)	(2.4)	(4.5)	(2.6)
NET COST OF RESTRUCTURING	1.0	0.5	—	—
LOSS FOR THE YEAR	(9.5)	(2.9)	(4.5)	(2.6)

GROUP SOURCE AND APPLICATION OF FUNDS STATEMENT	1981	1981	1980	1980
	£m	£m	£m	£m
NET INCREASE (DECREASE) IN LIQUID FUNDS	7.0	(3.5)	—	—
Operating revenue	81.1	20.2	78.4	81.2
Operating expenditure	80.8	6.8	7.1	6.7
Operating profit	0.3	13.4	71.3	74.5
(US\$ loss)	10.8	10.9	—	—
Taxation	—	—	75.8	77.1
NET PROFIT	(10.5)	(2.4)	(4.5)	(2.6)
NET COST OF RESTRUCTURING	1.0	0.5	—	—
LOSS FOR THE YEAR	(9.5)	(2.9)	(4.5)	(2.6)

VIMTO

In the year ended 31st December 1981:

- Pre-tax profits of J. NICHOLS (VIMTO) PLC. increased from £1,841,000 in the previous nine months to £2,566,000.
- SALES amounted to £12,080,000 against £14,841,000 in the previous nine months.
- A final DIVIDEND of 5½p per share is recommended, making a total of 10p per share for the year, compared with 7p per share for the previous nine months.

In his Statement with the Accounts, Mr Peter Nichols, the Chairman, says:

- "The increased profit on reduced sales is due in part to our careful watch on overheads, and also to a considerable increase in income from investments and interest on deposits. Some items, such as profit on foreign exchange and sizeable foreign sugar rebates will not recur."
- "The poor summer did not help our Chorley subsidiary, and was also somewhat detrimental to Solent Carriers, where we are increasingly integrating their activities with the rest of the group, and their future looks very promising."
- "Export sales fell away during the second half of 1981, but have improved since the end of the year. Home trade sales from Wythenshawe continue to expand and show a considerable increase in the first three months of the current year."

Registered Office: Ladson Road, Manchester M23 9NL.

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

1981-82	Company	Price	Gross Yield	P/E	Fully Paid
120	Ass. Bnt. Ind. Ord.	120	8.4	5.3	10.9
130	Ass. Bnt. Ind. CULS.	120	10.0	7.5	11.3
75	Ass. Bnt. Ind. CULS.	43	4.7	6.4	11.7
51	Armitage & Rhodes	43	4.0	10.0	8.1
208	187 Bank Hill	208	4.7	4.7	10.1
107	100 BCL The City Prof.	107	10.7	6.5	12.3
285	240 Cadogan Group	285	28.4	10.0	10.7
104	61 Deborah Services	104	6.0	8.8	3.0
131	57 Frank Hornell	131	6.4	5.0	11.4
83	78 Freshfield Park	83	6.4	6.5	3.9
76	46 Georgia Hill	76	6.4	6.5	3.9
102	39 Ind. Precision Castings	102	7.3	7.4	7.0
109	109 Iain Cow. Prof.	109	15.7	14.5	12.2
113	54 Jackson Group	113	7.0	6.5	3.2
130	106 James Burroughs	114	8.7	7.9	8.3
334	238 Robert Jenkins	334	31.3	13.2	3.3
67	51 Roberts	67	5.3	7.3	12.9
222	189 Tovey & Carter	222	10.7	6.5	5.1
15	10 Twinklind Ord.	15	—	—	—
80	68 Twinklind 15pc US	80	15.0	16.8	—
44	25 Unilock Holdings	44	8.0	12.2	4.5
103	73 Walter Alexander	103	8.4	7.5	8.7
263	212 W. S. Yeates	263	14.5	6.3	6.1

Prices now available on financial page 4914b.

THE TRING HALL

123.8 (+0.9)

USM INDEX

Close of business 25/5/82

BASE DATE 19/1/80 100

Tel: 01-623 1891

LADBROKE INDEX

Close 578-583 (+6)

Companies and Markets

UK COMPANY NEWS

Stakis pushes ahead midway

PROFIT BEFORE tax at Stakis moved up to £1.8m for the 27 weeks to April 4 1982, compared with £1.6m for the corresponding 26 weeks a year earlier. Turnover was higher at £43.9m, against £38.7m.

The profit was struck after deductions from the £2.75m (£2.55m) trading profit of £876,000 (£842,000) for interest and asset leasing and £75,000 (£58,000) for the employee share scheme.

The interim dividend is raised from 0.45p to 0.5p net per share. Last year's total of 1.8p was paid out of a pre-tax profit of £5.6m. Stated earnings per 10p share were up from 2.27p to 2.49p.

Tax took more at £432,000 (£395,000), and there was an extraordinary credit of £525,000 (£471,000).

To facilitate comparison, figures for the half year to March 29 1981, have been adjusted to reflect a change in accounting policy made in the accounts for the year to September 27 1981, regarding the capitalisation of interest on major projects.

The directors say the increased charge for interest and asset leasing is mainly attributable to provisions for possible losses in asset leasing which are subject to the outcome of litigation procedures.

The group—formerly Stakis Organisation—operates hotels, restaurants, casinos, offices, wholesale butcheries and discount stores, leases plant and equipment, and owns a golf course.

A breakdown of the trading profit shows contributions of £884,000 (£788,000) from hotels and inns, £1.51m (£1.25m) from casinos and £361,000 (£314,000) from wholesale wines and spirits and off-licences.

comment

All three divisions chipped in to help Stakis achieve a 10 per cent rise in pre-tax profits, but none more so than the casinos. With opening costs behind them, the new ex-Ladbrokes casinos must take most of the credit. In the wake of that £4.4m acquisition, gearing rose to about 65 per cent, and this has not changed significantly. The company wants some of the action in London but the Rembrandt application was turned down a couple of weeks ago; next month Stakis is having another bite at the cherry with an application to open at the Hotel Imperial. Profits from hotels were aided by an increase of about 10 per cent in occupancy rates, though the newly reopened Glasgow Grosvenor is unlikely to contribute net of costs this year. The wines and spirits division has benefited from the opening of new outlets, but post Budget stock profits are not going to be as significant as last year. The price, which is thought to include a small application, rose 1p to 65p, yielding 4 per cent. Pre-tax profits of about £5.2m are on the cards, putting the shares on a rather demanding multiple of 14.2.

Kelsey Industries shows increase to £585,000

AN INCREASE of £201,000 to pre-tax profits of £585,000 was shown by solder manufacturer Kelsey Industries for the six months to March 31 1982. Turnover was little changed at £10.35m, against £10.65m.

The directors say present indications are that the group's pre-tax profits for the full year will be similar to last year, which should enable the dividend to be maintained.

Regrettably, they say, they see small signs of any worthwhile recovery in the immediate future. The interim dividend has been held at 2.5p net. In the last full year a total of 8p was paid from pre-tax profits of £1.4m on turnover of £22.13m.

Earnings per 25p share for the first half are given as rising from 3.3p to 7.2p.

The UK manufacturing side has done better, say the directors, but the recession in America has restricted sales there, which has affected the profit of the company was hoping for.

They add that the Australian company has been similarly affected.

Kelsey Roofing Industries was hard hit by the severe winter weather, leaving a high work-in-progress figure which should produce a profit in the second half. Overall, however, margins will be down and turnover will not be sufficient for last year's profit to be equalled.

Tax took £230,000 (£187,000). Attributable profits after preference payments of £77,000 (same) emerged higher at £278,000, against £150,000.

Leeds Group more than doubles midway surplus

More than doubled pre-tax profits were shown by Leeds Group, formerly Leeds & District Dyers & Finishers, for the six months to March 31 1982, rising from £250,826 to £504,228. Turnover was virtually unchanged at £4.11m, against £4.15m.

The trading outlook for the industry remains most uncertain, says Mr A. Mortimer, chairman of this company, engaged in commission processing of textiles and sale of yarn. While volume has improved in several areas, he says that little progress has been made in restoring profit margins.

As announced at the A.G.M. Mr Mortimer says that a gas drilling programme is being undertaken in West Virginia and he hopes the first wells may be in trial production by September. Further investment in the energy division is under consideration.

An increased net interim dividend has been declared of 1.5p against 1p last time. In the last full year a total of 3.5p was paid from pre-tax profits of £711,050 on turnover of £7.4m.

Half year earnings per 25p share were given as rising from 4p to 6.4p.

Profits have been much improved, says Mr Mortimer, by eliminating some unprofitable sales to the knitting industry, and by a substantial reduction in overheads. Part of the improvement is also due to increased interest received on group liquid resources.

At the trading level the surplus improved from £392,690 to £862,989. Depreciation for the period rose from £141,864 to £158,740. Tax took more at £175,000 against £45,000 previously.

Net profits emerged higher at £329,229 (£205,826).

Vosper still optimistic

A SATISFACTORY outcome to the year ending October 31 1982 is expected by Vosper, the quoted shipbuilding subsidiary of David Brown. This is in spite of the handicap of the limited assets available to the company due to the continuing denial of adequate compensation for those interests nationalised, says Sir John Rix, the chairman.

The group as a whole started the new financial year with a reasonable order book but there are gaps that need filling, he tells members in his annual statement. However, with the much more buoyant level of inquiries, the board remains optimistic.

The company is heavily export-oriented and the board believes the group is particularly well suited to take advantage of overseas opportunities. Sir John

points out that at the same time, it has to be recognised that there is still a world recession.

As reported May 21, the company achieved a sharp turnaround from a £1.5m pre-tax loss to a profit of £1.96m for the year ended October 31 1981. Earnings per 25p share were 27p (31p loss) and the company is paying dividends for the year of 4p (nil).

Group fixed assets at the year end were £9.84m (£8.44m) and nationalised interests are given a net book value of £5.48m (£5.67m). Current assets amounted to £12.92m (£10.15m) and net assets employed in the group totalled £15.53m (£13.02m). Shareholders' funds rose from £11.21m to £13.74m.

Meeting, Dorchester Hotel, W, June 17, at noon.

MINING NEWS

Rising losses at Marinduque

BY KENNETH MARSTON, MINING EDITOR

LOSSES continue to pile up at the beleaguered mining industry in the Philippines which must now rely on the recently finalised state aid scheme.

Marinduque Mining and Industrial, the major producer of nickel, copper and cement, has suffered an increased first quarter loss of US\$82.2m (£34.4m). This compares with a loss of \$16.4m a year ago and follows a biggest-ever total deficit of \$16m for 1981.

Mr Jesus Cabanes, the Marinduque president, said that the latest quarterly loss reflected increased interest and financing costs of some \$17.5m for the nickel project, low metal prices and a reduction in nickel shipments following the temporary closure of the smelter for routine maintenance.

He confirmed that Marinduque is discussing with the Philippine Government a financing package designed to alleviate the company's critical cash flow problems and enable it to meet its interest payments and other obligations.

The deal would also provide additional funds to complete certain capital expenditure projects designed to reduce operating costs. These include the conversion of the nickel refinery from oil to coal firing.

The president said that although no assurance could be given that such a financing package would be obtained, the Philippine Government institutions involved had indicated their intention to support the company and work with it to arrange such financing.

Meanwhile, two smaller Philippine metal producers which have suspended operations have reported bigger losses for 1981, reports Leo Gonzaga from Manila.

They are Bagulo Gold Mining

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are intended or final and the subdivisions shown below are based mainly on last year's announcements.

TODAY

Interim: Avon Rubber, John Carr (Doncaster), General Stockholders Investment Trust, Goodland, Taz and Lyte.

Final: Allied Irish Banks, Bremer Trust, Capital and Counties, Coppider, Dandener, English and International Investments, Jersey General Investment, Minister Assets, Moola Investment Trust, H. Samuel, Wilson Investment.

FUTURE DATES

Interim: Heaton and Welch June 3
Finsbury June 3
Bishop's Group June 4
Browne (N.) Investments June 7
Cockfield June 23
Electric and General Investment June 24
Energy Services & Electronics June 1
London Investment Trust July 21
M.K. Securities June 14
Premier Consolidated Oilfields June 8
Reed International June 7
Ralls and Nolan Computer Services June 10

and Western Minerals, both of which have copper mining and milling facilities in the Bagulo district of Mountain Province, about five hours' drive north of Manila.

Bagulo's net loss widened to 74.17m pesos (£4.8m) last year from 20.15m in 1980, while Minolco lost 275.1m pesos against 45.7m pesos. Both companies blamed the deterioration in the financial performance on low metal prices and high operating costs.

To try to avoid further losses Bagulo closed its copper mine and mill early this year. Similarly Minolco shut down its mine and mill late last year.

CSR's anthracite mine on stream

THE CSR group's Yarrabee semi-anthracite coal mine in Queensland was officially opened yesterday. The initial production rate is relatively small at 300,000 tonnes of coal a year but the open-pit operation can be expanded if markets can be obtained.

Yarrabee's coal is the first Australian anthracite coal to be sold on the export market and the operation could lead to the development of further deposits in nearby areas. It has a high combustion efficiency, a low percentage of pollutants, and is

suitable for the cement, carbide, lime and steel industries.

CSR operates three coal mines in Queensland through its subsidiary Thiess Holdings, South Blackwater, Callide and now Yarrabee. In addition the group has two large coal deposits in Queensland at Theodore and Hall Creek for which major feasibility studies have been completed.

Mr R. C. Jackson, the CSR general manager, said that the two big deposits would be developed when long term sales contracts had been obtained. "Intensive marketing efforts are continuing," he added.

Jackson Brunei rights

THE Dallas-based Jackson Exploration reports that its 75 per cent-owned Brunei subsidiary, Jabra Jackson Private, has acquired petroleum rights to approximately 40 per cent of the continental shelf of the State of Brunei.

It is pointed out that Brunei lies in the Northwest Borneo Basin in the centre of a large deltaic complex which contains reservoir quality sandstones and oil generating shales. Brunei's continental shelf is similar to other major oil-producing deltaic complexes such as the South Louisiana and Nigeria.

The Jackson concession covers 700,000 acres on a site located five to 90 km offshore in water depths of 60 to 600 feet. It is planned to carry out a detailed seismic programme later this year and to drill the first exploration well in 1984.

Substantial advance seen by Pritchard Hardanger Properties on target

THIS year the first quarter's results of Pritchard Services Group are in line with objectives and a further substantial advance is anticipated in 1982, says Mr Peter Pritchard, the chairman, in his annual review.

As reported May 7, pre-tax profits for the year to January 3 1982 jumped 73 per cent from £3.53m to a record £6.11m, while sales soared to £177.24m, against £85.74m.

The group has interests in building maintenance, industrial and camp catering, security services and linen hire. The chairman says that its resilience during a period of severe worldwide recession has been due largely to the size and diversity of the group in a number of growth areas.

At the year end, group shareholders' funds were up from £20.85m to £28.98m.

Meeting at the Dorchester Hotel, W, June 16 at noon.

First half pre-tax profits of Hardanger Properties, which obtained a quotation on the USM last November, emerged at £177,798 and with current trading proceeding "satisfactorily" Mr Derek Coombs, the chairman, is confident that the prospectus forecast of £200,000 for the full year will be achieved.

Stated earnings per 10p share for the six months to March 31, 1982 came through at 5.89p on a net basis and at 3.35p fully diluted. The net interim dividend is 2.8p—a total of 9.8p has been forecast.

Turnover for the period totalled £1.45m. There was no tax charge and on the basis of the profit forecast a modest charge is anticipated for the second half.

Retained profits for the half year amounted to £134,368 after dividend payments of £43,400.

RHM

RANKS HOVIS McDUGALL PLC

Pre-tax profit £21 million for half-year

Results

Group profit before taxation for the half-year ended 6 March, 1982 amounted to £21,044,000 compared with £21,655,000 for the corresponding period of the previous year.

Profits from milling increased as did those of our grocery and packaged cake operations where both benefited from further extensions of their product ranges; in particular our overseas interests recorded good results with profits significantly higher than those of the corresponding period of last year.

British Bakeries is caught up in an insupportable price and discount war which has done great harm to the profits of bakers and, to a varying but serious extent, to retailers. In this situation British Bakeries is inevitably incurring substantial losses in maintaining its business.

Interim Ordinary Dividend

The Board has decided to pay on 16 July, 1982 to Ordinary shareholders registered at the close of business on 17 June, 1982 an interim dividend for the year to 4 September, 1982 of 1.524 pence per Ordinary share (last year

1.524 pence per share), involving a payment to shareholders of £4,213,000. This dividend, together with the related tax credit of 30/70ths thereof, represents 2.177 pence per share (last year 2.177 pence per share).

Outlook

The outcome of the situation in the bread market is not yet predictable and, in view of this, Group profits for the full year will be below those of last year. In response to this situation urgent and far reaching plans have been put into operation to improve the long term profitability of our bread baking business.

In other main sectors of our business such as overseas, grocery products, packaged cakes and milling we have recorded very satisfactory profits and we are investing in these areas for further profit growth.

I am confident that as a result we have the ability to improve our profits significantly in the medium and longer terms.

P. W. J. Reynolds, Chairman
King Edward House, Windsor, Berks.

Consolidated Profit Statement for the half-year ended 6 March 1982

	Half-year ended 6 March 1982 (Unaudited) £000	Half-year ended 28 February 1981 (Unaudited) £000	Year ended 5 September 1981 (53 weeks) £000
Turnover			
Total sales	969,000	912,000	1,833,000
Deduct: sales within group for further processing	136,000	129,000	260,000
	833,000	783,000	1,573,000
Profit on trading before rationalisation costs and depreciation	37,490	39,229	80,065
Rationalisation costs	996	765	2,572
	36,494	38,464	77,493
Depreciation	11,349	10,936	22,023
	25,145	27,528	55,470
Interest	8,286	8,079	14,572
	16,859	19,449	40,898
Investment income	1,605	16	25
Associated companies	2,580	2,190	4,352
Profit before taxation	21,044	21,655	45,275
Taxation	5,700	6,500	13,786
	15,344	15,155	31,489
Minority interests	107	(6)	(468)
	15,451	15,149	31,021
Extraordinary items after tax	(1,647)	(755)	1,184
	13,804	14,394	32,205
Preference dividends paid	142	142	283
Profit attributable to the Ordinary shareholders of Ranks Hovis McDougall PLC	13,662	14,252	31,922
Earnings per Ordinary share of 25p	5.5p	5.5p	11.2p

(Based on 276.5 million Ordinary shares ranking for dividend and profit attributable to the Ordinary shareholders before extraordinary items).

A record result from French Kier

Highlights from the statement by the Chairman, Mr. J. C. S. Mott, F.Eng., F.I.C.E., F.I.Struct.E., for the year ended 31st December 1981

- * Group turnover up 10% to £237.0M (1980 £216.0M)
- * Group taxable profit up 31% to £11.3M (1980 £8.6M)
- * Earnings per share up 20% to 16.1p (1980 13.4p)
- * Dividend recommended for year up 31% at 4.25p (1980 3.25p)
- * Shareholders funds up 19% to £44.9M (1980 £37.6M)
- * Four main operating sub groups all traded profitably
- * UK order books maintained
- * Overseas business expanded by marketing speciality skills in new territories
- * Significant re-rating of Company in investment market
- * Outcome for 1982 anticipated to be satisfactory

Annual General Meeting will be held on Friday, 18th June 1982 at Connaught Rooms, Gt. Queen Street, London, WC2

FK works worldwide

Copies of the Report and Accounts are available from the Secretary, French Kier Holdings Public Limited Company, 50 Epping New Road, Buckhurst Hill, Essex IG9 5TH

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BIDS AND DEALS

Companies and Markets

TKM selling its trade financing side for £19m

BY DUNCAN CAMPBELL SMITH

The Hongkong and Shanghai Banking Corporation (HSBC) has reached agreement in principle to acquire the international trade financing business of Tozer Kemsley and Millbourn (Holdings), the finance and investment group.

HSBC will at first take an 80 per cent stake in the business, known as TKM International, which constitutes the largest trade financing house in the world, financing around £500m a year. The purchase consideration for this will be £19m.

For the year ended December 31 1981 TKM International made a pre-tax profit of £2.7m.

Over the next three years, the Tozer Kemsley group will have the option to sell the remaining 20 per cent of the shares to HSBC for a price rising from £4.75m today up to £6.5m in three years' time. After the expiry of the put option, HSBC will itself have an option to buy the minority stake for £8.5m.

The preliminary sale agreement, which still awaits the finalisation of certain details, including the exact terms of the option arrangements, does also provide for the vendor to take 30 per cent of the business's

profits insofar as these exceed £3m, £3.5m and £4m in 1982, 1983 and 1984 respectively.

Mr Peter Hutson, an executive director of HSBC in London, said the business would complement the banking group's existing activities. It would retain its present staff under Mr Peter Reynolds and would operate from its present offices under the name of TKM International.

He added that it would be reporting directly to Hong Kong and there were no plans for it to be involved with Antony Gibbs, the London merchant bank. At the same time, said Mr Hutson, many aspects of the deal had yet to be considered and were not necessarily going to be finally decided "at this preliminary stage."

The complexity of the deal apparently reflects Tozer Kemsley's desire to retain an important stake in what both parties believe will be a rapidly growing business. At the same time, said Mr Ken Thorogood, the group's chairman, the sale was "a natural development."

The confirming business had been moving into financing on a much larger scale and required a more

Approach to Noble & Lund may signal bid

BY RAY MAUGHAN

NOBLE AND LUND, the Gateshead engineer and machine tool maker, yesterday said it had received an approach from an unnamed party which might lead to a partial or full offer for the company.

It responded with a statement that trading has improved significantly in recent weeks and forecast that the company would resume dividend payments this year. It cautioned, however: "There have been so many false dawns that the company is naturally hesitant to believe that the cycle has fully turned."

Noble made a 1981 pre-tax loss of £36,481 on turnover of £1.57m, compared with the previous year's profit of £82,020 on turnover of £1.70m. It paid no 1981 dividend.

The shares closed 51p higher at 19p yesterday, putting a market value of £1,084,710 on the company.

Noble told shareholders it had a strong balance sheet, with shareholders' funds at £2,215,911 on December 31 1981—about 39p per 10p share—and no borrowings.

Mr Alan Noble, chairman and joint managing director, said the directors felt the 1981 annual report was perhaps too pessimistic. The company was in the black in the first half of 1982, he said.

Global Resources' board seeks shareholder support

BY RAY MAUGHAN

IN ONE of the bitter proxy battles for boardroom control which threaten to become something of a feature of secondary North American oil and gas exploration groups, the directors of Global Natural Resources are now summoning shareholders to their defence at the annual general meeting scheduled to take place in the Grand Hotel, St Helier, Jersey, on September 13.

Global's problems are twofold: its past (as its opponents have been quick to point out) springs from the Fund of Funds, the lynchpin of Mr Bernie Cornfeld's failed IOS empire. Of more importance is the fact that Global does not know who its shareholders are.

The stock is held in bearer form and although the equity is traded in London, Frankfurt and in Over-the-Counter form in the U.S., the group's best guess is that half the 21m or so units are held in the U.S. and half in other countries. Bearer shares do not require a register although this is as much a problem for the slate of dissident directors as for the incumbents.

The dissident directors are headed by Mr Marvin Warner, a

former U.S. ambassador to Switzerland who is now chairman of Great American Bank, a banking holding company. Another dissident is Mr John W. Bertoglio, a director and major shareholder of Ennex, an oil and exploration development company in Oklahoma. The dissidents are advised by a major Wall Street brokerage house, Bear Stearns, whose chief executive officer, Mr Greenburg, is also seeking a seat on the Global board.

Stressing that Global has "not been well managed" and that "new ideas and vitality" must be brought to the board if Global shareholders are to "realise the full potential from their holdings," the Warner-Bertoglio faction states that "even now all contact with the past has not been broken."

The point where the current board and their opponents are most sharply diverged is the existence of any remaining links between Global executives and Vesco and Cornfeld.

The dissidents, too, have taken steps to dissociate themselves from any attempt contemplated, as reported, by Mr Cornfeld to vote a substantial line of shares on their behalf at the annual

meeting. The incumbents, executives advised by Hambros Bank, which shares with Global a director in Mr Harry Fitzgibbons, were stressing yesterday that the links have been truly severed and Mr Beatty was alone instrumental in freeing... and eventually liquidating the property assets in Global's 47 per cent controlled Canadian associate, IPI Property.

The cash realised by this liquidation amounts to more than \$50m attributable to Global which has helped to underpin the group's substantial growth experienced over the last five years in oil and gas revenues, reserves and shareholders' equity. The defenders' letter to shareholders points out that income per share grew from 17 cents to 86 cents between 1977 and 1981 and shareholders' equity expanded from \$41.33m to \$92.42m.

Its Arctic interests are represented by a 17.2 per cent working stake in 1.78m net acres in the Sverdrup Basin which, at December 31 last, showed reserves of 20 trillion cu ft of gas and an estimated 1bn barrels of recoverable oil in the entire basin area.

GOVERNMENT OF THE STATE OF GOIAS
Saneamento do Goias SA—Saneago
PUBLIC INTERNATIONAL BID
No. 05/82—SANEAGO

Saneamento do Goias S.A., Saneago, invites all interested companies to participate in Bid No. 05/82 for the supply of hydraulic materials for the implementation of the water supply systems of the cities of Anapolis, Avelinopolis, Varzea and others, in the state of Goias, Brazil.

The financial resources for the payment of the charges resulting from the bid will be provided by BNH—National Housing Bank, by the Government of the State of Goias through the water and sewer financing fund—Favoco, and by a loan taken by BNH from the International Reconstruction and Development Bank—IBRD. The contracts providing for BNH and Favoco to participate in the bid are Cinc. Nos. 5.851.81, 1.294.80 and 1.806.81, signed between BNH and Banco do Estado do Goias, on June 30, 1981, September 10, 1980 and December 17, 1981.

Listed below are the lots of hydraulic materials of the bid and the amount of the bid bond for each lot:

Lot I: Cast Iron Pipes and parts. Bid Bond: CR\$ 30,000.00

Lot II: Fibreconcrete Pipes, including parts. Bid Bond: CR\$ 30,000.00

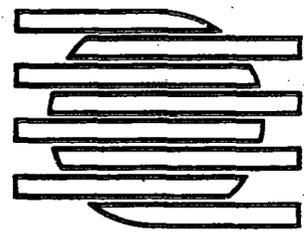
Lot III: PVC Pipes and parts. Bid Bond: CR\$ 30,000.00

Lot IV: Galvanized Iron Pipes and parts. Bid Bond: CR\$ 5,000.00

The bid is open to Brazilian companies and to companies from IBRD member countries, from Switzerland and Taiwan. The maximum periods for delivery of the supplies are one hundred and twenty consecutive days for Lot I and ninety consecutive days for Lots II, III and IV. The bid documents, including the applicable conditions, are available for consultation and acquisition at the permanent bidding commission at Saneago's head office, at Avenida "B", 570, Setor Jardim Goias, Goiania, State of Goias, Brazil, from May 18 to June 29, 1982, from 8.00 a.m. to 4.00 p.m. and from 2.00 to 4.00 p.m. The bids are to be delivered at Room No. 302 at Saneago's head office, on July 8, 1982, at 5.00 p.m., at a public session before the permanent bidding commission of Saneago.

Goiania, May 11, 1982

Eng. JOAO GUIMARAES DE BARROS
Eng. JOAO GUIMARAES DE BARROS
Director President
Eng. JOSE UBALDO TELES



Global Natural Resources PLC

(Registered in England No. 989370)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of Global Natural Resources PLC ("the Company") will be held at the Grand Hotel, St. Helier, Jersey, Channel Islands, on Monday, the 13th day of September, 1982, at 2.30 o'clock in the afternoon, Jersey, Channel Islands time, to transact the following business:

- To consider a resolution (1) to receive and approve the Report of the Directors and the Financial Statements and the Auditors' Report thereon for the year ended 31st December, 1981.
- To consider resolutions (2 and 3) to re-elect as Directors of the Company Messrs. Walter H. Saunders and Kenneth H. Parke, whose terms of office will expire by rotation and who offer themselves for re-election.
- To consider resolutions (4 and 5) to appoint Peat, Marwick, Mitchell & Co. Auditors of the Company and to authorise the Directors to fix the remuneration of the Auditors.

To consider as special business certain resolutions (6 through 20) requisitioned by the group referred to in the accompanying Proxy Information (the "Requisitionists") proposing the removal of the present Directors, their replacement by nominees of the Requisitionists, and payment in full by the Company of the expenses in giving effect to the requisition.

The full text of the above resolutions is set out in Schedule I to the accompanying Proxy Information (see opposite page) which forms part of this Notice.

Registered Office:
2 Norfolk Square,
Brighton,
Sussex, BN1 2PB,
England.
Dated: 24th May, 1982.

By Order of the Board,
Anthony C. Boakes,
Secretary.

IT IS IMPORTANT THAT YOUR SHARES BE VOTED AT THE MEETING.

Note: Holders of shares in the Company, whether registered or represented by Share Warrants to Bearer, may vote in person at the Annual General Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead.

If you desire assistance in voting your shares or have any questions in respect of any solicitation which you may receive, you are encouraged to contact the Company, its financial advisers or its information agent at any of the numbers listed below.

Global Natural Resources PLC

Toll Free Continental USA: 800-223-3604
Frankfurt: 611-282865 Zurich: 1-302-0891

47 Maple Street, Suite 203,
Summit, New Jersey, 07901, USA.
Telephone: 201-273-4070

Natural Resources Corporation, One Denver Place,
999 Eighteenth Street, Curtis Podium, Suite 350, Denver, Colorado, 80202, USA.

2 Norfolk Square, Brighton,
Sussex, BN1 2PB, England.

Hambros Bank Limited

41 Bishopsgate, London, EC2P 2AA, England.
Telephone: 01-588-2851

Lehman Brothers Kuhn Loeb Incorporated

55 Water Street, New York, New York, 10041, USA.
Telephone: 212-558-2940

D. F. King & Co., Inc.

400 Montgomery Street, San Francisco, California, 97104, USA.
Telephone: 415-788-1119

60 Broad Street, New York, New York, 10004, USA.
Telephone: 212-269-5550

One North La Salle Street, Chicago, Illinois, 60602, USA.
Telephone: 312-236-5881

Global Natural Resources PLC

Eighth Annual General Meeting of the Shareholders to be held on the 13th September, 1982

Proxy Information

The Notice of the Annual General Meeting of shareholders of Global Natural Resources PLC ("the Company") to be held on 13th September, 1982, describes a number of resolutions upon which the shareholders are being asked to vote. This document provides information about the resolutions reproduced in full in Schedule I.

All holders of shares in the Company, whether registered or represented by Share Warrants to Bearer, may vote their shares by following the instructions set forth under "How to Vote". All but seven of the 21,146,957 shares of the Company outstanding on 12th May, 1982 are represented by Share Warrants to Bearer.

The matters to be considered by shareholders in deciding how to cast their votes at the Annual General Meeting are extremely important. Your Board of Directors believes that, given the serious issues presented by this attempt to gain control of your Company, it is essential that there be sufficient time for your Board to communicate with as many shareholders as possible and put them in full possession of the facts, for shareholders to review fully these facts before deciding how to cast their votes and for the shareholders then to have time to vote. Since almost all of the Company's shares are in bearer form, your Board cannot communicate directly with shareholders until they respond to advertisements and the voting procedure is more time-consuming than in the case of registered shares. Your Board takes the view that effective communication to shareholders and exercise of their votes would not take place if the meeting were held before the holiday period begins in mid-July. Your Board has therefore decided to convene the meeting for Monday 13th September, the earliest

practicable date for the meeting after the holiday period has come to an end. The meeting is being convened now so that shareholders may be fully informed as soon as possible.

Resolution 1:

The Annual Report for the year 1981, which is available as explained under "Documents Available", includes a Report of the Directors, Financial Statements, a Report of the Auditors on the Financial Statements and supplemental information about the operations of the Company and its subsidiaries. The significant accounting policies followed by the Company are generally accepted for the oil and gas industry in the United Kingdom and the United States and are set forth in Note 2 to the Financial Statements.

The Board of Directors has approved the Directors' Report and the Financial Statements for the year ended 31st December, 1981 and recommends that shareholders vote FOR Resolution 1 to receive and approve the Directors' Report and the Financial Statements for 1981 as reported upon by the auditors and presented to the Meeting.

Resolutions 2 and 3:

The Directors standing for re-election are Mr. Walter H. Saunders and Mr. Kenneth H. Parke, whose terms as directors will expire under the provisions of the Company's Articles of Association.

Mr. Saunders has served on the Board since his election in March, 1971 and serves on the Audit and Compensation Committees of the Board. He serves as Chairman of the Board of Liberian International American Corp. and President of its operating subsidiary, Liberian Iron & Steel Corp. Mr. Saunders is also a Director

of Atlantic Bank of New York, The Reserve Fund, Inc., and Stralem Fund, Inc. Mr. Saunders, who is 76 years of age, has served as Vice President-Investments of Metropolitan Life Insurance Company, was a partner in Ladenburg, Thalmann & Co. and was President and Chairman of Transoceanic Marine, Inc., a company engaged in the international transportation of bulk cargo.

Mr. Parke is a solicitor of the Supreme Court of England and was for many years employed by the British Petroleum Company Limited in various capacities including 10 years as Group Secretary of that company. Mr. Parke, who is 58 years of age, has served on the Board since his election in March 1976.

The Board of Directors recommends that shareholders vote FOR Resolutions 2 and 3 for the re-election of Messrs. Saunders and Parke.

Resolutions 4 and 5:

The firm of Peat, Marwick, Mitchell & Co., Chartered Accountants, has served as the Company's auditors each year since 1976. They have agreed to serve as auditors for the year 1982. A representative of Peat, Marwick, Mitchell & Co., will be present at the Annual General Meeting to respond to appropriate questions and have the opportunity to make a statement if he so desires. Peat, Marwick, Mitchell & Co. will be acting as scrutineer for the Meeting.

The Board of Directors recommends that shareholders vote FOR Resolutions 4 and 5 for the appointment of Peat, Marwick, Mitchell & Co., and for the Directors to fix the Auditors' remuneration.

Resolutions 6 through 20:

A group of individuals and entities (the "Requisitionists") is proposing resolutions to remove all of the present Directors of the Company and replace them with persons nominated by the Requisitionists, as set forth under "Statement by Requisitionists".

In addition, the Requisitionists are asking shareholders to agree that the Company pay in full the expenses incurred in giving effect to their requisition.

The Board of Directors, advised by Hambros Bank Limited in the United Kingdom and Lehman Brothers Kuhn Loeb Incorporated in the United States, believes that the Requisitionists' proposals are not in the best interests of the Company and its shareholders and recommends that shareholders vote AGAINST Resolutions 6 through 20, for the reasons stated under "The Company's Response to the Requisitionists' Statement".

Please Note:

If the Chairman of the Meeting is named as proxy on the Form of Proxy and no vote is indicated on a Resolution, the Chairman has advised that he will vote the shares represented by the proxy FOR each of Resolutions 1 through 5 and AGAINST each of Resolutions 6 through 20, and in his discretion upon any other matter which may properly come before the meeting.

How to Vote

A holder of shares in the Company, whether registered or represented by Share Warrants to Bearer, may vote in person at the Annual General Meeting or may appoint another person, whether a member of the Company or not, as his proxy to attend and vote in his stead.

A holder of Share Warrants to Bearer who wishes to exercise the right to vote at the Annual General Meeting must, not later than 2.30 p.m., Jersey, Channel Islands time (9.30 a.m. New York time) on 10th September, 1982, deposit his share warrants at the registered office of the Company at 2 Norfolk Square, Brighton, Sussex, BN1 2PB, England, or with a depository of his choice which must either be a bank or a stock brokerage firm which is a member of a recognised stock exchange, a member of the National Association of Securities Dealers (United States) or a member of a recognised securities dealers' organisation (outside the United States) other than the institutions identified in Instruction 1 to the Certificate of Deposit and Form of Proxy referred to below.

If a holder of Share Warrants to Bearer wishes to avail himself of the opportunity to deposit his share warrants at a depository of his choice other than the registered office of the Company he MUST use the Certificate of Deposit and Form of Proxy which will be supplied to him by the Company on request. NO OTHER EVIDENCE OF THE DEPOSIT OF SHARE WARRANTS TO BEARER OTHERWISE THAN AT THE REGISTERED OFFICE OF THE COMPANY WILL BE ACCEPTED.

To attend and vote in person at the Meeting, the holder must both deposit his Warrants, as described above and produce at the Meeting the Certificate of Deposit, duly signed and completed.

To vote by proxy at the Meeting, the holder must not only deposit his Warrants as described above but also deposit the Certificate of Deposit and Form of Proxy with both the Certificate of Deposit and Form of Proxy duly signed and completed, with the Company's Registrar at its office at 2 Norfolk Square, Brighton, Sussex, BN1 2PB, England, not later than 2.30 p.m., Jersey, Channel Islands time, or at the office of Global Natural Resources Inc., 47 Maple Street, Summit, New Jersey, 07901 U.S.A. not later than 9.30 a.m., New York time, on 11th September, 1982. ANY CERTIFICATE OF DEPOSIT AND FORM OF PROXY NOT SO LODGED WILL BE INVALID.

Certificates of Deposit and Forms of Proxy will only be valid for an adjournment of the Annual General Meeting if that adjournment is held on or before 16th September, 1982. This is because the Certificates of Deposit allow the Share Warrants to Bearer to be returned to the holders on or after 17th September, 1982. If the meeting is adjourned beyond 16th September, 1982, new Certificates of Deposit and Forms of Proxy for use at the adjourned meeting will be sent by post to any holder who has duly lodged or produced such document for use at the original meeting at his address as shown on the Certificate of Deposit and will be sent to any other holder on application to the Registrar at either of the addresses mentioned on the opposite page.

IMPORTANT

It is likely that persons other than the Company will solicit your proxy. The Company wishes to remind you that before you appoint as your proxy any person or group other than the Chairman of the Meeting, you are entitled to be advised as to how the person to whom the proxy is given will vote the shares and to receive information as to their personal interests in the matters to be voted on.

- (ii) a copy of this Notice and Proxy Information; and
- (iii) a Certificate of Deposit and Form of Proxy; and
- (iv) the Company's letter to shareholders in which the Director's reasons for recommending rejection of the Requisitionists' resolutions are set out in full.

These documents, together with copies of Directors' Service Contracts, are available for inspection by holders of shares in the Company (whether registered or represented by Share Warrants to Bearer) during normal business hours on any day (other than a Saturday, Sunday or public holiday) at the offices of the Company and its Registrar and at the office of Messrs. Theodora Goddard & Co., 16 St Martin's-le-Grand, London, EC1A 4EJ, England until the conclusion of the Annual General Meeting.

Information about the Company's Board of Directors

In addition to Messrs Kenneth H. Parke and Walter H. Saunders, whose re-election as Directors is to be voted upon pursuant to Resolutions 2 and 3, the following persons, whose terms do not expire at the Annual General Meeting, serve as Directors of the Company:

Frank G. Beatty, who is aged 61, has been a Director of the Company since August 1971 and its President since 1972. Mr. Beatty was a partner in Coopers and Lybrand, Certified Public Accountants, from 1961 to 1969 and, from August 1969 to March 1973, was Executive Vice-President and a Director of International Controls Corp.

Dr. Gerold Bezenberger, who is aged 52, has served on the Board since his election in June 1976. He has also served as a member of the Audit Committee of the Board since its formation in 1977. Dr. Bezenberger practises law in West Berlin.

George E. Dunlap, who is aged 65, has been a Director of the Company since June 1976. Mr. Dunlap is President of Dunlap Petroleum Consultants Ltd. and has held a number of senior positions in the Canadian petroleum industry.

Harry E. Fitzgibbons, who is aged 45, has been a Director of the Company since September 1979. He is a Director of Hambros Bank Limited, Boston Hambro Capital Corporation and Anglo-Nordic Shipping Limited, of which last company he is also Chairman and President.

Jacques W. Zoller, who is aged 62, is the President of Natural Resources Corporation, the Company's wholly-owned United States operating subsidiary ("NRC"). He is a registered Professional Engineer with a B.S. degree in Mining Engineering and Geology. Prior to joining NRC in 1971, he was employed by Shell Oil Company in a variety of professional engineering and executive positions, including those of Chief Petroleum Engineer of the Midland Exploration and Production Area, Rocky Mountain Division Production Manager, and Rocky Mountain Division Manager—Environmental affairs.

Information as to Shareholdings

The Directors of the Company beneficially own the following number of shares and options to acquire shares of the Company on 10th May, 1982:

Name of Director	Shares	Options	Exercise Price*	Date of Grant
Frank G. Beatty	28,514	35,000	\$11.38	10/12/80
Dr. Gerold Bezenberger	—	20,000	17.81	16/6/81
George E. Dunlap	—	20,000	17.81	16/6/81
Harry E. Fitzgibbons	—	20,000	17.81	16/6/81
Kenneth H. Parke	1,000	20,000	17.81	16/6/81
Walter H. Saunders	15,200	20,000	17.81	16/6/81
Jacques W. Zoller	24,024	25,000	11.38	10/12/80

*Market value at the date of grant.

So far as is known to the Company, the only person (other than the Requisitionists, as a group) who held more than 5 per cent. of the Company's shares at 10th May, 1982 is Mr. John Orr, who holds 1,357,462 shares as Trustee. Mr. Orr has no beneficial interest in such shares.

Statement of Requisitionists

The following statement is included in accordance with Section 140 of the Companies Act of 1948. A summary of the response of your Board of Directors is set forth alongside under "The Company's Response to the Requisitionists' Statement".

"To the Shareholders of Global Natural Resources Limited.

Included in the notice convening the Annual General Meeting are resolutions for removing and replacing all the directors of the Company. This statement is issued by those who are proposing the resolutions, consisting primarily of Mr. Marvin Warner, Mr. Jack Bertoglio and Bear, Stearns & Co., a New York investment brokerage firm.

Most of you will know the origins of the Company and how it emerged from the IOS debacle. Even now all contact with the past has not been broken. However, it is not so much the past which concerns us, as the present and future. Put shortly, we believe that the Company has not been well managed, and that new management bringing new ideas and vitality to the Company's business is essential if shareholders are to realise the full potential from their holdings.

At last year's Annual General Meeting, the present Board brushed aside the criticism by Bear Stearns and others concerning the Company's performance and the introduction of a stock option scheme, saying that the critics had failed to take into account the Company's plans for maximising its assets and the market position of the shares. In the intervening year, the Board has made no proposals to shareholders for improving either the assets of the Company or the share price.

If elected the new directors will, as their first priority, review all ways of employing the Company's assets to the best advantage of the shareholders, with a view to formulating comprehensive proposals at an early date. The alternatives for consideration might include liquidation, the disposal of assets, a change in domicile, a merger, acquisition of another company, or, when the law permits, the purchase by the Company of its own shares. It would be premature to anticipate their conclusions before they have had an opportunity of conducting the necessary review, but you can be assured that they will pursue new policies for the benefit of both the Company and its shareholders with energy and vigour.

We believe that the present Board has neither the vitality nor the commitment which is required for the task. Their aggregate shareholdings at 26th June, 1981 (excluding the Shares held in trust by Mr. Carter) were only 67,819 compared with more than one million shares now held by the proposed new directors and their associates. To the undoubted commitment of the proposed new directors can be added a wealth of experience in the oil and gas industry, in finance and in public service.

The proposed new directors are:

Mr. Warner, aged 62, who was formerly the United States Ambassador to Switzerland and is now the Chairman of the Board of Great American Banks, Inc., a bank holding company.

Mr. Greenberg, aged 54, who is Chief Executive Officer of Bear, Stearns & Co.

Mr. Watson, aged 58, who has had many years of experience in the oil industry having been a Director of Occidental Petroleum Corporation and President and Chief Executive Officer of Occidental International Corporation. He previously held office as Postmaster General of the United States.

Mr. Bertoglio, aged 47, who is a Director and major shareholder of Ennex Inc., an oil exploration and development company in Oklahoma.

Mr. Bongard, aged 40, who is the President and a Director of Warner National Corporation.

Mr. Arky, aged 38, who is the President of the law firm of Arky, Freed, Stearns, Watson & Greer, P.A. of Miami, Florida.

Mr. Weary, aged 54, who is a partner in the law firm of Blackwell, Sanders, Mathery, Weary & Lombardi of Kansas City, Missouri.

We urge you to support the proposals which we believe are in the best interests of the Company and its shareholders. To do so you should IMMEDIATELY apply to Bear, Stearns & Co. at either

55 Water Street, New York, New York 10041
or 10-12 Coptial Avenue, London, EC2
attention: Mr. M. Temopol attention: Mr. D. Nation

for a Certificate of Deposit and Form of Proxy.

If you have received a Certificate of Deposit and Form of Proxy from the Company you should have the Certificate of Deposit completed by the bank or brokerage firm which holds your shares and you should complete the Form of Proxy as follows:

1. Insert in the space provided in the form for your choice of proxy: "Mr. Bertoglio or Mr. Arky or Mr. Bongard".
2. Vote FOR each of the resolutions to remove the existing directors and FOR the resolutions appointing Messrs. Warner, Greenberg, Watson, Bertoglio, Bongard, Arky and Weary as directors in their place; and
3. Vote AGAINST the resolutions to re-elect Messrs. Parke and Saunders.

Whether you obtain the Form of Proxy from the Company or from Bear Stearns, return it after completion to Bear Stearns at either of the above addresses so as to reach them not later than 6 days before the meeting. DO NOT RETURN IT TO THE COMPANY. Bear Stearns will arrange for this to be done at the appropriate time.

PLEASE BE ADVISED THAT, TO THE EXTENT COMPLIANCE WITH THE ABOVE INSTRUCTIONS OF THE REQUISITIONISTS DOES NOT MEET THE LEGAL REQUIREMENTS SET FORTH IN THE CERTIFICATE OF DEPOSIT OR FORM OF PROXY OR ABOVE UNDER "HOW TO VOTE", THE LEGAL REQUIREMENTS THERE SET FORTH WILL PREVAIL.

The Company's Response to the Requisitionists' Statement

The Requisitionists have recently acquired shares of the Company in order to launch a proxy contest. The Company has experienced substantial growth over the last five years in oil and gas revenues, reserves and shareholders' equity, and is now in a strong financial position. Despite this, the Requisitionists ask you to remove the Company's entire Board of Directors and to replace it with their own nominees.

The Requisitionists' nominees are all United States individuals whose record in the oil and gas industry has been limited and without apparent success. In their statement, the Requisitionists have failed to provide a single new idea to improve the operations or business of your Company. They have merely produced an abstract list of possible ways a company can employ its assets. You Board questions the ability and experience of the Requisitionists' nominees to formulate a plan to utilise the Company's assets in ways which will benefit all shareholders. In addition, the Requisitionists' nominees are so closely interconnected by personal and financial ties that we believe they would not be in a position to act independently and in the interests of all of the Company's shareholders.

Moreover, your Board questions the suitability of certain of the nominees to serve as directors of a public company, in light of their past business records. Your Board's concerns with respect to these matters are fully detailed in the Company's letter to shareholders, which you are urged to obtain from the Company, its financial advisers or information agent at the addresses given on the opposite page.

The Board of Directors and the Company's financial advisers, Hambros Bank Limited and Lehman Brothers Kuhn Loeb Incorporated, unanimously recommend that you oppose this attempt to take control of your Company.

The success of your Company over the last five years results from the sound business judgment and independence of the Company's Directors and their commitment to represent all of the shareholders. The Board and present management took the steps which enabled the Company to emerge from the IOS debacle with its energy assets intact and with its interests in non-energy assets converted into cash available for exploration and development. The Company's progress is reflected in the market price for its shares—which rose from \$1.48 in September, 1976 (when a majority of your present Directors were elected) to \$13 (closing bid) at 21st May, 1982.

The Board has been responsible for important acquisitions (including the Company's highly successful investment in Indonesia) and for the preservation and enhancement of the Company's Canadian Arctic Islands oil and gas properties. The Company is engaged in an increasing programme of exploration and development. The Board and management continue to pursue the strategy of making acquisitions during periods when attractive opportunities are available. The Company is particularly well placed to take advantage of recent decreases in the price of oil and gas assets to augment its reserves on an advantageous basis and to strengthen its position in the industry.

Do not underestimate the importance of your vote, however small your holding. We urge you to act decisively in rejecting this attempt by a group of opportunists to take control of your Company. It is strongly recommended that you vote AGAINST the Requisitionists' resolutions and FOR the resolutions proposed by the Company.

This response is a summary of the Company's full letter to shareholders which can be obtained from the Company, its financial advisers or information agent at the addresses given on the opposite page.

YOUR VOTE IS EXTREMELY IMPORTANT.

See "How to Vote" above.

Schedule I

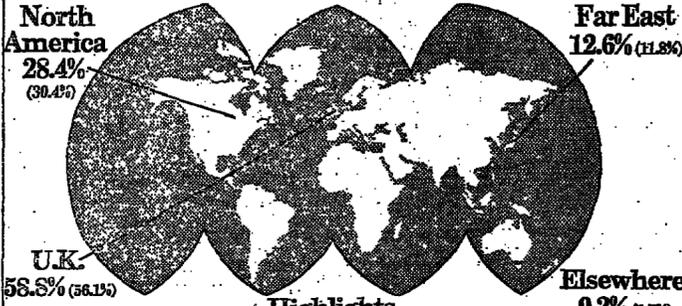
- Resolutions to be Presented by the Company:**
1. To receive and approve the Directors' Report and Financial Statements and the Auditors' Report thereon for the year ended 31st December, 1981.
 2. To re-elect Mr. Walter H. Saunders a Director.
 3. To re-elect Mr. Kenneth H. Parke a Director.
 4. To appoint Messrs. Peat, Marwick, Mitchell & Co. Auditors of the Company for 1982.
 5. To authorise the Directors to fix the remuneration of the Auditors.
- Resolutions to be Presented by the Requisitionists:**
6. That Mr. Frank G. Beatty be and he hereby is removed from office as a Director of the Company.
 7. That Mr. Marvin L. Warner be and he hereby is appointed a Director of the Company in place of the said Mr. Frank G. Beatty.
 8. That Dr. Gerold Bezenberger be and he hereby is removed from office as a Director of the Company.
 9. That Mr. Alan C. Greenberg be and he hereby is appointed a Director of the Company in place of the said Dr. Gerold Bezenberger.
 10. That Mr. George E. Dunlap be and he hereby is removed from office as a Director of the Company.
 11. That Mr. W. Marvin Watson be and he hereby is appointed a Director of the Company in place of the said Mr. George E. Dunlap.
 12. That Mr. Harry E. Fitzgibbons be and he hereby is removed from office as a Director of the Company.
 13. That Mr. Jack W. Bertoglio be and he hereby is appointed a Director of the Company in place of the said Mr. Harry E. Fitzgibbons.
 14. That Mr. Kenneth H. Parke be and he hereby is removed from office as a Director of the Company.
 15. That Mr. Burton M. Bongard be and he hereby is appointed a Director of the Company in place of the said Mr. Kenneth H. Parke.
 16. That Mr. Walter H. Saunders be and he hereby is removed from office as a Director of the Company.
 17. That Mr. Stephen W. Arky be and he hereby is appointed a Director of the Company in place of the said Mr. Walter H. Saunders.
 18. That Mr. Jacques W. Zoller be and he hereby is removed from office as a Director of the Company.
 19. That Mr. Daniel C. Weary be and he hereby is appointed a Director of the Company in place of the said Mr. Jacques W. Zoller.
 20. That the expenses incurred in giving effect to the requisition dated the 20th day of April, 1982 and made in accordance with Section 140 of the Companies Act 1948 be met in full by the Company.

Securities Trust of Scotland p.l.c.

A member of the Association of Investment Trust Companies
Annual Report Year Ended 31st March 1982

	1982	1981
Earnings per Ordinary share	5.03p	5.12p
Dividends per Ordinary share	5.10p	4.90p
Net Asset Value per Ordinary share	147.2p	146.4p

Geographical Distribution of Portfolio



- Highlights**
- Change in long term policy to place greater emphasis on increased revenue and dividends.
 - UK Government's attempts to encourage and stimulate industrial enterprise beginning to succeed. British Industry set for recovery with greatly improved international competitive position.
 - Hopeful that gradual recovery in US economy commencing later this year will bring reasonable chance of period of sustainable growth in US benefiting that country and world trade.
 - Many sectors in Japan poised for cyclical recovery and Japanese exporters at the forefront of technological innovation should continue to prosper.

To obtain a copy of the Annual Report, return this coupon to the Managers and Secretaries, MARTIN CURRIE & CO, 29 Charlotte Square, Edinburgh EH2 4HA (Telephone 031-225 3811).

Name (block capitals please)

Address

Companies and Markets

UK COMPANY NEWS

BIDS AND DEALS

Charterhall to buy 75% of General Oil

BY CHARLES BATCHELOR

CHARTERHALL, the natural resources investment holding company, has agreed to acquire 75 per cent of General Oil, a UK oil exploration company, for £1.7m in shares.

Charterhall will issue 3.7m fully paid 5p shares representing 9.6 per cent of its enlarged capital and worth £1.7m based on a price of 46p for each Charterhall share.

General Oil has a 9.5 per cent working interest in licence P.356 covering block 22/5b in the UK sector of the North Sea, a block awarded in the seventh round. Drilling of the first well is due to start in June.

The book value of the assets of General Oil amount to £1.37m of which £750,000 is cash to meet drilling commitments on the first well.

General Oil has no plans to dispose of any of the shares. It has agreed to hold half for at least 12 months and not to dispose of the rest without consulting Charterhall.

The Department of Energy has been advised and confirmed that it has no objection to the arrangement. It is conditional on obtaining a listing on the stock exchange for the new shares. An application to the Stock Exchange will be made shortly.

BRITANNIA 'ARROW' GEN. & COMMERCIAL

The offers by Britannia Arrow Holdings for the ordinary and preference shares of General and Commercial Investment Trust have become wholly unconditional and will remain open for acceptance until further notice. The offer for the preference shares has been accepted by holders of 92.6 per cent.

Newey and Eyre expands

Newey and Eyre, one of Thomas Tilling's principal operating subsidiaries, is expanding its UK electrical wholesaling activities and developing further into the distribution of electrical appliances to the retail trade by acquisition of Pellard Ray and Sampson from J. H. Sankey and Son.

The company has purchased and equipped a ship, the MV Barco operating out of Hartlepool which has so far recovered more than 700 miles of cable. The company encountered difficulties in establishing the business which took considerably longer than anticipated.

CAWOODS/REDLAND

In accordance with the terms of the Redlands' equity offers for Cawoods Holdings, the number of Lasmo shares being offered as consideration has been adjusted as a result of the increase in market price of Lasmo shares from 330p to 335p xd, being the middle market quotation on May 24. Accordingly, a holder of 200 existing Cawoods' ordinary shares will be entitled, as part

of the consideration due to him, to approximately 26.88 Lasmo shares instead of 27 Lasmo shares.

Shares representing the aggregate of fractions of a Lasmo share will be sold in the market and net cash proceeds distributed pro rata to shareholders entitled thereto.

DOLPHIN CABLE

Spicer and Pegler partners Richard Turton and John Talbot have been appointed receivers of Dolphin Cable Company, based at Billingham. The company was set up with a share capital of £1.7m in September 1980 to recover out-of-service submarine telecommunications cables from the sea bed.

The company has purchased and equipped a ship, the MV Barco operating out of Hartlepool which has so far recovered more than 700 miles of cable. The company encountered difficulties in establishing the business which took considerably longer than anticipated.

Wormalds agrees offer

Hainsworth and Sons, a Leeds-based private manufacturer of fine yarn and cloth, yesterday announced an offer of 18p cash for each 25p share of the woolen textile group Wormalds, Walker and Atkinson. The offer values Wormalds at £566,100.

Neither Hainsworth nor any party acting in concert owns any shares in Wormalds. It intends that upon the offer becoming unconditional Wormalds will continue to operate from Dewsbury. The shares, which were suspended at 9p on Monday, were restored to a listing yesterday.

Pru's new U.S. company

The Prudential Corporation, Britain's largest life assurance company, has launched a new company in the U.S. — Holborn International Portfolio Managers, based in New York.

The new company will manage segregated investment portfolios, investing in international equity, bond and cash assets, for pension funds in the U.S. It has been registered with the Securities Exchange Commission.

The Pru, one of the largest investment institutions in the UK, has been offering pension fund management in a variety of means. Its latest venture is to offer segregated investment management for UK pension funds through Prudential Portfolio Managers.

The new company will be headed by Pru's investment manager Michael Newmarch. He said that American pension funds were anxious to achieve a better risk-reward ratio on their funds and were now building up their international investments.

ASSOCIATE DEAL

On May 24, S. G. Warburg and Co, as an associate of Pearson Longman, sold on behalf of a discretionary investment client 25,000 ordinary 25p shares of Pearson Longman at 338p.

Panto back in loss for second half

THE RETURN to profit by P. Panto and Co, at midyear was short-lived although the group still managed to sharply reduce its losses for 1981 as a whole.

At six months the company returned pre-tax profits of £12,000 (£104,000 loss) as a result of rationalisation, reduced interest charges and a large stock increase in March this year.

The group fell back into loss during the second half and for the 1981 year finished with taxable losses of £147,000 compared with a deficit of £289,000 in the previous year.

The directors are recommending the payment of a 0.5p net dividend for the year, the first since 1978.

Full year turnover of the group, a wholesale tobacconist, confectioner, grocer and sundriesman, edged ahead from £28.64m to £27.02m and trading profits came through at £326,000, against £291,000.

The loss included property income of £19,000 (£20,000) and loan interest of £9,000 (£8,000), but was after directors' remuneration of £128,000 (£129,000), bank interest £219,000 (£239,000), same-gain audit fees and expenses of £18,000 and depreciation of £137,000 (£138,000).

There was a tax credit this time of £1,000 (£318,000) and extraordinary credits of £342 (£271).

Mr Monty Fimiston has agreed to stay on as adviser for a further year.

Steady second half leaves Lanca ahead

Historical pre-tax profits of Carroll Industries, the Dublin-based cigarette and tobacco manufacturer, rose from £4.1m to £4.5m in the six months to March 31 1982. Group sales climbed from £82.29m to £103.53m, of which £98.43m against £79m came from domestic sales.

Current cost operating profits show a marginal increase of 2 per cent from £3.52m to £3.59m, and pre-tax profits under this accounting system rose from £2.52m to £2.53m.

The directors say that given the unfavourable economic climate the results are regarded as "satisfactory". Accordingly, they have decided to pay an interim dividend up from 2.25p to 2.7p net at a cost of £1.3m (£1.05m). Last year's total payment was 6.25p from historical pre-tax profits of £9.8m.

The debt continuing high levels of inflation, and a strengthening U.S. dollar have had a considerable impact on costs. At the same time, the long delayed but downward adjustment occurring in disposable income is putting pressure on volume sales levels.

Fieldcrest Mills Inc. in March this year informed the minority shareholders in Fieldcrest Ireland that it was not prepared to proceed with the Carroll Industries' proposals for the capital and managerial restructuring of the company. In the circumstances, the board of Fieldcrest Ireland decided that the company was not in a position to continue trading and a Receiver was appointed. In consequence of the appointment of a Receiver on March 10, the company ceased to be an associate.

Group results for the half year no longer include any share of the results of Fieldcrest Ireland.

The group's tobacco division, P. J. Carroll and Company, increased its market share by 1 per cent in the first half, but the delay in the introduction of the fiscal budget had the effect of maintaining volume sales in the domestic trade.

Option	Exercise price	July		Oct		Jan		Equity close
		Vol.	Close	Vol.	Close	Vol.	Close	
BP (c)	800	28	3	24	25	48	518p	
BP (e)	330	9	1	19	22	28	518p	
BP (p)	500	9	1	18	22	28	518p	
OU (e)	120	10	6	21	16	2	124p	
OU (c)	140	5	1	11	2	15	124p	
OU (p)	140	5	1	11	2	15	124p	
Cona. old (e)	380	20	1	35	45	32	387p	
Cona. old (c)	390	7	1	11	2	15	387p	
Cona. old (p)	460	2	1	5	20	32	387p	
Cona. old (e)	500	1	1	3	16	11	387p	
Cona. old (c)	560	15	10	25	17	21	387p	
Cona. old (p)	560	15	10	25	17	21	387p	
Cona. old (e)	590	2	1	1	1	1	387p	
Cona. old (c)	60	6	32	10	14	4	387p	
GEO (e)	850	67	10	97	116	126	989p	
GEO (c)	900	32	5	58	80	80	989p	
GEO (p)	950	10	1	15	15	15	989p	
GEO (e)	950	10	1	15	15	15	989p	
GEO (c)	900	25	2	42	47	47	989p	
GEO (p)	200	12	2	18	18	18	989p	
GEO (e)	180	2	1	4	10	10	989p	
GEO (c)	200	7	105	24	17	17	989p	
GEO (p)	200	7	105	24	17	17	989p	
GEO (e)	240	90	15	27	30	30	989p	
GEO (c)	280	50	15	11	11	11	989p	
GEO (p)	280	50	15	11	11	11	989p	
GEO (e)	300	38	84	40	6	48	989p	
GEO (c)	330	15	27	62	15	15	989p	
GEO (p)	380	3	72	7	24	24	989p	
GEO (e)	240	1	3	1	1	1	989p	
GEO (c)	280	2	11	1	1	1	989p	
GEO (p)	300	8	17	11	14	14	989p	
GEO (e)	330	8	17	11	14	14	989p	
Land Sec. (c)	300	6	2	18	23	23	981p	
Land Sec. (e)	330	1	1	15	15	15	981p	
Land Sec. (c)	330	1	1	15	15	15	981p	
Shell (e)	450	20	5	32	57	70	480p	
Shell (c)	350	5	102	6	6	6	480p	
Shell (p)	350	5	102	6	6	6	480p	
Shell (e)	420	12	22	22	22	22	480p	

Carroll Industries makes £500,000 improvement

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The group's tobacco division, P. J. Carroll and Company, increased its market share by 1 per cent in the first half, but the delay in the introduction of the fiscal budget had the effect of maintaining volume sales in the domestic trade.

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THE FRENCH ART OF FINE LIVING COMES TO BAGHDAD

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THE FRENCH STYLE OF FINE LIVING IN THE WORLD

G. RUDDLE & COMPANY PLC

(Incorporated in England under the Companies Act 1929, No. 402238)

Share Capital

Authorised	Issued and to be issued fully paid
£20,000	£10,200
580,000	472,800
600,000	483,000

L. Messel & Co. have undertaken the placing of 857,191 Ordinary shares of 10p each of G. Ruddle & Company PLC at 140p per share. Shares have been offered to, and are available through, the market. These shares will rank for all dividends hereafter declared or paid on the Ordinary shares of the Company. Full information regarding G. Ruddle & Company PLC is contained in the Prospectus and particulars are available in the Exel Unlisted Securities Market Service. Copies of the Prospectus may be obtained from:-

L. MESSEL & CO., Winchester House, 100 Old Broad Street, London EC2P 2HX.

EUROPEAN OPTIONS EXCHANGE

Series	Vol.	Aug.		Nov.		Feb.		Stock
		Vol.	Last	Vol.	Last	Vol.	Last	
GOLD C	5525	43	25 B					537.50
GOLD C	5525	40	15					
GOLD C	5575	35	7	14	15.50			
GOLD C	5600	20	8	18	15.50			
GOLD P	5200	38	5.50	22	11			
GOLD P	5325	38	14	22	19.50			
GOLD P	5350	42	32					
GOLD P	5375	7	46	7	46			
12 1/2 NL 81 87-91								
CC	F.107.50	15	5.80					F.115.50
CC	F.112.50	10	1.50					
CC	F.115	1		14	1.70 A			
CC	F.102.50	5	2.50		0.50			
10 1/2 NL 80 86-95								
CC	F.102.50	10	1					F.101.80
CC	F.105	30	1.80					
11 1/2 NL 82 88-92								
CC	F.105	350	0.80					F.104.20
CC	F.100	500	0.70					F.99.40
CC	F.102.50	3	0.30					
ASB P	F.280	5	1.30	30	2			F.284
AKZO C	F.23	5	2.80					F.26.20
AKZO C	F.27.50	10	0.90	30	1.60			
AKZO C	F.30	25	0.40			20	2.30	
AKZO P	F.28	20	0.50			5	1.40	

The three-year turn-round of Capel-Cure Myers

By Terry Garrett

ANDREW HUGH SMITH is about to celebrate a third anniversary. Three years ago this summer he moved up into the senior partner's office of stockbrokers Capel-Cure Myers. An eventful three years, for when he inherited the desk he was facing one of the grimmest tasks of his career. His move was CCM's second major management change in as many years and staff morale was about as low as it could get.

An amalgam of several member firms, CCM was born in 1974—a product of a protracted bear market which fattered a spate of stockbroking mergers and, unhappily, a fair number of failures too.

Under the leadership of the aggressively minded Somerset Gibbs, Capel-Cure Myers had absorbed talks with Vickers de Costa in the summer of 1974 before finally climbing into bed with Myers. Almost immediately Norris Oakley, and a small regional outfit, Morell Johnston, slipped into the bridal chamber—stockbroking is not a monogamous institution.

Combined the firms had £200m of funds under management, over 450 employees and 125 corporate clients. Needless to say the staff was reduced immediately to cut out duplication and some of the corporate clients moved on to other firms. Nevertheless the mergers moved the component parts into the big-firm league.

One of Somerset Gibbs' initial moves was to formulate a planning committee under Andrew Hugh Smith to develop a strategy for the enlarged firm. First task was to unify private clients and institutional dealing and pool resources. It was nothing unusual in those early days to see one fund manager selling a stock and another further down the room buying it.

But the main hub of the strategy was expansion—institutional sales, private clients and corporate services. Going all out for growth in every direction does not come across as a highly sophisticated plan. But at that time the private client was beginning to look as promising as the dodo. He was a spent force and everyone was out chasing after institutional money. Also the firm's traditional corporate role was to act as broker to small to medium sized companies. The new plan was to go for large clients, ICI one week and BP the next. Needless to say it didn't happen like that.

Somerset Gibbs' approach to broking was highly entrepreneurial. He had built up Carden before it joined Capel-Cure. But stockbroking firms are not industrial companies with a pyramid management structure, they are more like hour glasses—a top line of executives on which the success of the firm rests and a bottom line of employees putting in the service

back-up. There is very little in between. While a tight rein from the top may have worked in a smaller firm CCM had developed into an animal where such treatment caused resentment down the line.

The years that followed the 1974 mergers were dogged by internal tensions. In 1977 Sir David H.H. Wood, who had headed Myers and was deputy to Gibbs in the enlarged group, left to join Guinness Mahon. Within weeks Mr Gibbs too announced his departure after a run of 15 years.

The helm passed to David Grenier who was immediately welcomed by the mass walkout of the gifts department, off to pastures new at Fielding Newson-Smith. The departure was no small blow. Up till then gift dealing had contributed about a fifth of the firm's brokerage income. Though very different in style Mr Grenier appeared to have a similar management philosophy to Mr Gibbs.

Less than two years later the hot potato was passed to Andrew Hugh Smith. The task ahead looked formidable.

One of his first priorities was to rebuild confidence throughout the firm. There had been too much interference from the top in the past and Mr Hugh Smith's idea was to go forward as a team rather than with a personality cult. So objectives



Andrew Hugh Smith

strategy was always basically sound, the firm had run aground on management style.

Within months Money Care was launched amid much hallelujah to pull in more private client business. CCM had undertaken some rudimentary market research to try to plumb the depths of the great unadvised. Confirming all suspicions CCM found that there was a vast amount of capital sitting out there with people receiving no advice whatsoever. The problem was how to get at them.

For many people the image of the stockbroker was, at best, someone who dealt with the super rich punting on the Stock Market. At worst, he was a natty-suited individual, just a little bit fly, who spent half his time listening to other conversations in the City bars in search of a hot tip.

CCM's approach was to break down the image of someone too big to bother about the small fry. A £100,000 national advertising campaign was launched at the public—an unprecedented move for a stockbroker and one greeted with much disdain in Throgmorton Street.

The message was that CCM could provide much more than a dealing service, and that no financial problem was too small to be considered. Investors with £7,500 could join a full portfolio management service, below that they could be pro-

vided with a unit trust selection service, and for under £3,000 the firm's own selection of unit trusts is on offer.

People were invited to write in or telephone. Other Stock Exchange members laughably criticised Money Care as gimmickry and providing nothing more than any other leading broker should offer his client. Perhaps true on the first count and certainly true on the second. But Money Care was innovative in its approach. The telephone never stopped ringing and letters poured in by the sackful. The campaign paid for itself in six months and, perhaps more importantly for CCM, the launch of Money Care rebuilt the firm's confidence.

Eighteen months after the initial marketing ploy CCM repeated the formula with another £100,000 splashed out. The second round had almost as many eyebrows twitching as the first CCM were crying all the way to the bank.

Before Money Care CCM had 450 active private clients with around £300m of funds under management. It set itself a target of 3,000 more clients and £150m of extra funds within five years. Those objectives have been reached in half the time.

But now there is a considerable rethink going on. Money Care has been a successful campaign but perhaps its life is ending.

The failure of some financial advisors, such as Norton Warburg, has led CCM to think that the next advertising campaign—and they are obviously convinced of the merits of advertising—should highlight Capel-Cure Myers as a "leading stockbroking firm."

If that sounds like a U-turn it is. CCM wants to push the image of respectable City members backed up by the Stock Exchange's compensation fund offering total security. Security is what they think the public will be looking for now.

While Money Care has grabbed the attention since Mr Hugh Smith took over, the other "strategic" objectives have not been pushed into the background.

The gifts department has been rebuilt but the research side still needs a lot of development. The firm's analytical work covers around half the Stock Market in terms of value but apart from its general economic commentary it is only in retailing that it has got itself up among the leaders. And that was achieved by sheer weight of numbers.

The firm is hoping that its food manufacturing research too, will be up there soon while it is beavering away to spread its coverage into engineering, insurance, electricals and mining finance.

There are also two analysts with a small companies brief.

Largely this means keeping track of the stocks where CCM acts as broker—77 of them in all—which are not covered by one of the other 17 analysts.

The small business coverage is a spin off from CCM's activity in the corporate finance field. Since the war the firm has had a reputation for bringing along small companies to the Stock Exchange. And apart from the brief non-event of the 1970s where the corporate boys had to try to pull in the big companies, it is a formula that the firm has stuck to.

CCM's most obvious success in the last three years has been the flood of private client business that Money Care has attracted. Half the firm's income now comes from fund management. But it is still early days and the ultimate success of Money Care can only be measured by how many private clients stay with the firm. And that will depend on CCM's investment performance.

There is still a way to go with institutional research and the corporate side can never be too busy. But at least the long faces of the late 1970s have disappeared. Whatever shape broking takes in the future, whether firms will stay independent or be part of larger financial empires, Mr Hugh Smith has one ambition—to be there. He now thinks CCM can do it.

A FINANCIAL TIMES SURVEY

BUILDING METHODS AND MANAGEMENT

June 30th 1982

The Financial Times proposes to publish a survey on Building Methods and Management in its edition of June 30th 1982. This survey will examine how major contractors have adopted a more aggressive approach to marketing, and how the suppliers to the industry have fared.

The survey will also include editorial coverage on:

1. How the client, according to his need, is able to select a contractor with a particular management package.
2. The role of the architect, consulting engineer and chartered surveyor.
3. Building systems: timber framed, steel framed, pre-cast, pre-assembled.
4. The building materials sector.

Copy date: June 16th.

For further information and advertisement rates please contact:

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FINANCIAL TIMES
BRACKEN HOUSE
10 CANNON STREET
LONDON EC4P 4BY

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one
hundred
fifty
years

1832 was the year when the Bank for Regional Development was established in Westphalia to administer funds allocated for reconstruction at the Congress of Vienna. In 1854 a similar financial institution was founded in Cologne, which in 1877 moved to Düsseldorf, the main center of the region. Between these two institutions an active flow of business developed and the close contacts with the local savings banks (local universal banks) was greatly intensified. 1969 saw the merger of the two main institutions in Düsseldorf and Münster to form Westdeutsche Landesbank - WestLB - which has become one of Germany's foremost financial institutions and a major force in international wholesale banking.

1981 was a year of consolidation for the Bank against the background of world economic uncertainty. WestLB's overall capabilities were enhanced by the renewed commitment of its shareholders and the dedication of its staff, coupled with the inherent strength of the Bank itself. Business volume advanced to DM 150 billion.

Balance Sheet Total	DM 111 billion
WestLB Bonds	DM 51 billion
Deposits	DM 50 billion
Loans	DM 101 billion
Administered and Trustee Funds	DM 35 billion
Taxes	DM 55 million
Profit	DM 45 million

WestLB					
1832					
1982					

WestLB

Westdeutsche Landesbank Girozentrale

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Branches Bielefeld Cologne Dortmund Essen Frankfurt Office London New York Tokyo
Representative Offices Tokyo Rio de Janeiro Latin America Office New York Melbourne Toronto
Subsidiaries WestLB International S.A. Luxembourg WestLB Asia Limited Hong Kong
Banque Franco-Allemande S.A. Paris
Affiliates Banco da Bahia Investimentos S.A. Rio de Janeiro Banque Norddeurope S.A. Luxembourg Libra Bank Limited London

APPOINTMENTS

Managing director of Paterson Zochonis

Mr Basil Spoudeas, managing director of PATERSON ZOCHONIS since 1970, retires at the end of May. He will be succeeded by Mr George Laupis, who became a director in 1970. Mr Spoudeas joined Paterson Zochonis in 1937 in West Africa and transferred to head office in Manchester in 1946.

Mr R. A. Pedder has been appointed chief executive of HALFORDS GROUP, part of Burmah Oil from June 14. In 1973 he was appointed assistant managing director of Burton Menswear and in 1978 he became managing director of Dodge City, managing this company until its sale in 1981.

Mr Michel Fox has been appointed to the new position of operations director of ARTHUR SANDERSON AND SONS. Mr Fox has moved to Sanderson from Twyford's Bathrooms - another company within Reed International's building and home improvements group - where he was engineering products director.

GENERAL ACCIDENT FIRE & LIFE ASSURANCE CORPORATION has made the following appointments from June 1: Mr James P. Mahon, secretary, becomes an assistant general manager. Mr Leslie W. Mansfield, secretary (designate), becomes secretary.

THE INDEPENDENT BROADCASTING AUTHORITY is appointing Mr Peter Rogers as director of finance in succession to Mr Roy Dowham who retires in October. Mr Rogers is deputy chief executive (administration) of the Housing Corporation, a post he has held since joining the corporation in 1979.

Mr Howard Whitehouse, a director of his family firm Whitehouse Bros. (Fuels), has been named president for 1982/83 by the COAL MERCHANTS' FEDERATION of Great Britain. Other appointments were senior vice-president: Mr E. R. Chivers and junior vice-president: Mr L. S. Moore.

Mr John Hardy, chairman and managing director of Squirrel Horn, has been elected president of the COCOA, CHOCOLATE and CONFECTIONERY ALLIANCE. He succeeds Mr Robert Wadsworth who, having completed his three-year term of office, becomes vice-president.

Mr A. J. Curtis, chairman of JOSEPH GROSEFIELD & SONS, will be retiring at the end of June. He will be succeeded by Dr A. Edelman, currently head of Unilever's central engineering division. On graduating from Delft University, Dr Edelman joined Unilever Research in the Netherlands and later became technical manager of the Philippine Refining Company. He moved to Unilever engineering

division, London in 1975 and was appointed engineering chief for the concern in 1977. Joseph Grosefield & Sons is a Unilever company.

CABLE AND WIRELESS has appointed two executive directors: Mr Douglas Buck who becomes director, personnel and corporate services, and Mr Brian Pemberton, who becomes director, Far East. Mr Buck was head of the personnel division and regional director responsible for the group's activities in Africa. Mr Pemberton, managing director of Cable and Wireless (Hong Kong) retains this position and will continue to be based in Hong Kong. His area of responsibility will include the People's Republic of China and the Pacific and he will represent Cable and Wireless on the board of its subsidiary company in Macau, Companhia de Telecomunicacoes de Macau.

DATA RECORDING INSTRUMENTS, a wholly-owned subsidiary of the British Technology Group, has merged two principal operating companies, Data Recording Equipment, and Newbury Laboratories. The new company has been named Newbury Data Recording, based in Staines. There are two new board appointments: Mr Rod Saar, previously director and general manager of Newbury Laboratories, becomes marketing director, and Mr Tony Alecock of DRE is appointed financial director of Newbury, Data Recording. Mr Brian Shatwell, previously DRE's development manager is appointed technical director (designate). Mr John M. Armstrong, managing director of the DRI Group, becomes managing director also of the new company.

The parent company of Crabtree Electrical Industries, British Ever Ready, was acquired by Hanson Trust at the end of December 1981. Hanson Trust is re-organising its divisional structure. As part of this re-organisation, Marbourn becomes part of the Crabtree Group and Crabtree becomes a member of the Lindus Industries Division of Hanson Trust. In turn, Mr Jeremy Marshall, chief executive of Lindus Industries, is appointed chairman of CRABTREE ELECTRICAL INDUSTRIES. Crabtree and Marbourn will continue to trade as separate businesses, with Mr Brian Barham, managing director of Crabtree, now having the additional management responsibility for Marbourn. Mr A. R. Cotton, an associate director of Hanson Trust will also be joining the board of Crabtree.

The following board appointments have been made in HAWKER SIDDELEY companies: Mr D. J. Allen to the board of Westinghouse Brake and Signal Co. (Australia) Pty; Mr R. C. Ballantyne, Mr E. M. Bondfield and Mr A. R. Creswick to

the board of Hawker Siddeley Electric; Mr G. Davidson to the board of Hawker Siddeley Switchgear Pty; Mr T. D. Davies as director of Hawker Siddeley Marine; Mr G. W. Gersbach as finance director of R. A. Lister Australia Pty; Mr E. E. Gibbons as managing director of Brush Fusegear; Mr D. Glyde as technical director of Westinghouse Signals, Westinghouse Brake and Signal Co; Mr R. R. Grant managing director, Westinghouse Brake and Signal Co (Australia) Pty, has been appointed to the board of Hawker Siddeley Switchgear Pty; Mr D. R. Spiers to the board of Hawker Siddeley Rail Projects; Mr D. A. Stack as managing director of Partridge Wilson and Co, and Mr D. C. Whelan to the board of Pasco Industries Inc.

SEALINK UK, has appointed Mr Ray Collard, previously deputy trace manager, Irish and Isle of Wight services, as deputy traffic manager, Continental and Channel Islands services.

Mr Gordon Gaddes, director, information services marketing and resources of the British Standards Institution, has been appointed director-general of BSI. Mr Gaddes will be succeeded by Mr Kenneth Edwards, who recently became a deputy director-general at the CBL. Mr Gaddes takes up his appointment on July 1.

Mr Bernard Lyons has decided to retire as chairman of UDS GROUP on December 31. The board has appointed Sir Robert Clark as deputy chairman with a view to succeeding Mr Lyons.

THE CENTRAL ELECTRICITY GENERATING BOARD has appointed Mr Michael Pickering to the new post of director of information and public affairs at its London headquarters, from September. He is at present with British Airways as public relations co-ordinator (commercial) at Heathrow. Mr Peter Taylor, the director of information, will continue in his present post until Mr Pickering joins the board, when Mr Taylor will assist in setting up the new department.

TI DESFORD TUBES, Kirby Muxloe, has appointed Mr John Bostock as production services director and Mr John Meredith as technical services director.

Mr Bob Brown, has been appointed director of marketing for WALES GAS. He came to Wales from East Midlands Gas five years ago.

ASSOCIATED CO-OPERATIVE CREAMERIES has appointed Mr Trevor Hughes as general manager.

Mr Anthony W. Jukes has been appointed senior vice president in charge of the new

European, African and the Middle Eastern region of the international division of MANUFACTURERS HANOVER LEASING CORP. Mr Robert G. Chris has been appointed managing director of Manufacturers Hanover Industrial Finance, UK subsidiary of Manufacturers Hanover Leasing Corp. He was finance director.

Mr A. T. (Tim) Fisher has been appointed to manage the newly-created London Branch Office of ABV TRADING of Stockholm. He was formerly the managing director of J. E. Little & Co members of the Lochcage Group.

The STEWART NAIRN GROUP has appointed Mr C. Giles Clarke as managing director.

ALCAN ALUMINIUM (UK) has appointed Mr R. Wagner to the board. He is chairman of the management board of Alcan Aluminiumwerke, Frankfurt.

Mrs Liliana Archibald and Mr S. M. Yassukovich have been appointed members of THE BRITISH EXPORT-FINANCE ADVISORY COUNCIL. Mrs Archibald is international affairs adviser to Lloyd's Mr Yassukovich is managing director of the European Banking Company. Sir John Barnacough and Mr A. F. Frodsham have been elected vice-chairmen.

ALLISON'S, a subsidiary of W. Williams and Sons (Holdings) of Pocklington, has made the following board changes. Mr W. W. Rhodes is appointed managing director. Mr A. N. R. Rudd, a director of Williams, will become chairman and Mr C. Phillips and Mr B. McGowan, who are joint managing directors of Williams, will also join the Allison's board. Mr Geoffrey Allison, until recently chairman of Allison's, will continue as an executive director.

Mr Ian Stagg has been appointed technical director of VACUUM GENERATORS from May 1.

Mr M. F. Baird, who joined C. T. BOWRING (UNDERWRITING AGENCIES) on April 1, has succeeded Mr R. H. Jones as underwriter for Syndicate No. 31.

Sir Nigel Foulkes has joined the board of EQUITY CAPITAL FOR INDUSTRY as vice-chairman and will succeed Lord Flowden as chairman at the end of the year. He was chairman of the British Airports Authority, and until recently of the Civil Aviation Authority. He is also a non-executive director of The Charterhouse Group and of the Bekert Group in Belgium. Mr John L. Read has resigned from the board of ECI, having served as a non-executive director since 1977.

The sun is a very powerful source of energy. Even on a cold, overcast winter's day, its rays pour through windows to create warmth. Now, can you imagine how valuable it would be to trap that warmth, to lock it in and put it to work?

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We have developed a new kind of glass - 'Kappafloat' energy glass. It's one of the most important advances in glass technology this century.

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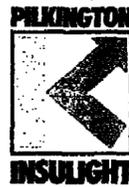
Just try to get out of this one, sun.

Kappafloat improves the insulating performance of double glazing by 50%, making it as efficient as triple glazing. And effectively better than a cavity wall. (Which means incidentally, that windows can be made larger without infringing energy conservation legislation).

Kappafloat is available in our sealed double glazing units, as 'Insulight K'. So from today on, when you think of double glazing, think first of K.

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Companies and Markets

COMMODITIES AND AGRICULTURE

Support for Rotterdam grain strike falters

By Walter Ellis in Luxembourg

SUPPLIES of grain and other basic foodstuffs to Europe held up by the continuing strike of dockers in Rotterdam harbour...

area but that "no one is screaming." A total of 15 ships, most of them loaded with cereals and rice, are at present stranded in Rotterdam...

Following a planting survey, the HGCA has estimated total cereals plantings this year in England and Wales at 3.4m hectares, nearly 1 per cent higher than in 1981.

Rise urged in wool floor price

By Our Commodities Staff

CANBERRA—The Wool Council of Australia said it has recommended a 13 per cent rise in the 1982/83 season floor price to 422 cents a kilo clean from 410c.

Schools to sell flavoured milk

By Our Commodities Staff

BRITISH schoolchildren will soon be able to buy flavoured semi-skimmed milk at subsidised prices under an EEC scheme.

PHILIPPINES SUGAR Exports dealt further blows

By Emily Tagaza in Manila

THE PHILIPPINE sugar industry, already troubled by plummeting world market prices, is suffering further blows from the newly-imposed import quotas in the U.S.

quotas, and even if the ISO's export tonnage were raised, the Philippines would not be able to sell more because output has been declining anyway.

Philiscom, the Philippine Sugar Commission, and has generally been lower than the export price. After strong protests from producers, it was recently increased from 110 pesos a picul (0.10 cents a pound) to 165 pesos a picul (0.14 cents a pound).

There is one area where Nasutra has given the industry a protective coat and that is through the long-term contracts it entered into with foreign buyers in mid-1980.

Rare cattle breeding scheme

By Our Commodities Staff

THE SHETLAND Islands Council has granted \$19,000 to finance a 10-year scheme aimed at preserving the Shetland cattle breed in its pure form on its home islands.

Nickel talks break down

By John Edwards, Commodities Editor

TALKS between International Nickel and the unions on the terms of new labour contracts broke down yesterday, Reuter reported from Ontario.

Banana fungus threatens Jamaica

By Canute James in Kingston

BANANA producers in Jamaica and the Windward Islands are gearing to do battle with the deadly black sigatoka fungus which has been marching northward and eastward from Latin America.

PRICE CHANGES

Table with columns for commodity names and price changes. Includes items like Tin, Copper, Zinc, Nickel, Silver, and various metals.

GOLD MARKETS

Table showing gold prices in London and other markets, including gold bullion and gold coins.

AMERICAN MARKETS

Table showing American market prices for commodities like coffee, sugar, and various oils.

Monday's closing prices

Table listing closing prices for various commodities such as tin, copper, zinc, and nickel.

BRITISH COMMODITY MARKETS

BASE METALS

Table of British commodity prices for base metals including tin, copper, zinc, and nickel.

INDICES

Table showing various financial indices like Dow Jones, Moody's, and Reuters.

SOYABEAN MEAL

Table of soyabean meal prices and other related commodity prices.

WHEAT

Table of wheat prices and other grain market data.

COCOA

Table of cocoa prices and other commodity prices.

RESIDENTIAL PROPERTY

Table listing residential property prices in various locations.

AMERICAN EXECUTIVES

Table listing American executives and their details.

MOTOR CARS

Table listing motor car models and prices.

ASTON MARTIN

Table listing Aston Martin car models and prices.

WOOL FUTURES

Table listing wool futures prices.

COMMODITY ANALYSIS LIMITED

Advertisement for Commodity Analysis Limited, offering commodity brokerage services.

AMERICAN EXECUTIVES

Advertisement for American Executives, offering executive search services.

MOTOR CARS

Advertisement for Motor Cars, featuring various car models.

ASTON MARTIN

Advertisement for Aston Martin, highlighting luxury car models.

WOOL FUTURES

Advertisement for Wool Futures, providing market analysis.

Companies and Markets

INTERNATIONAL COMPANIES and FINANCE

Deere earnings plummet by 97% in second quarter

BY CHRISTOPHER PARKES IN NEW YORK

DEERE, the large U.S. farm equipment and industrial machinery manufacturer, said earnings slumped by 97 per cent in the second quarter of this year.

"serious decline" in earnings for the rest of the current fiscal year, following an 11 per cent drop in earnings in the first quarter.

The decline in demand for Deere products had been intensified by continuing high interest rates and low prices for agricultural produce he said yesterday.

Even so, he claimed: "We are weathering the current recession reasonably well compared with many other companies."

Other factors contributing to the fall in profits included: A 14 per cent decline in the physical volume of sales worldwide.

Under-use of production capacity. Deere's two industrial equipment factories were closed in January, and a foundry and the Iowa tractor plant were shut for two weeks in March.

"Significantly higher spending" on sales incentives to counter "extremely low competitive prices" offered by other manufacturers.

Mr Hewitt warned again yesterday that he expected earnings to remain under severe pressure and emphasised the need for strict cost and operations control.

Alcoa ends production at Texas smelter

By Richard Lambert in New York

ALUMINUM Company of America (Alcoa) is closing permanently its 145,000 tonne a year smelter at Point Comfort, Texas.

The closure is the latest in a series of cuts in the hard-pressed North American aluminum industry. It will reduce Alcoa's rated production capacity for primary aluminum production in the U.S. by about 9 per cent, and take its operating level up to 73 per cent of capacity.

Mr W. H. Krome George, Alcoa chairman, said the smelter was run on natural gas—an energy source that will continue to be too costly to use in the production of aluminum.

Apart from a whole host of mistakes, not least, Mr Gibbons admits, the failure of the company to keep up with the changes of the Seventies, the underlying problem is that Woolworth is in the most mature end of the retailing business.

Retail sales are as good an indicator as any of the state of an economy. In the latest recession, Mr Gibbons says, specialty store retailing has generally performed much better than mass merchandising.

Blue-collar store feels the pinch

BY PAUL BETTS IN NEW YORK

WHILE economists are finally beginning to talk about a recovery in the U.S. economy in the second part of this year, Mr Ed Gibbons, the cigar-chewing, gravel-voiced chairman of F. W. Woolworth, paints an altogether gloomy picture.

His company is having an unhappy time. Mr Gibbons prefers not to speak about the British subsidiary because: "It's best if they speak themselves."

Woolworth's profits last year were nearly halved to \$58m compared to the year before. In the first quarter of the current year, it reported a net loss of \$16m or 36 cents a share, compared with a loss of \$2m or 10 cents a share.

He believes there will be a recovery in the second part of the year, but an anaemic and short-lived one if interest rates do not come down. In any event, consumer spending is likely to be slow this time in leading the country out of recession.

Further setback at Firestone

BY OUR NEW YORK STAFF

NORTH AMERICA'S continuing economic depression has made itself increasingly felt at Firestone Tire and Rubber, the second biggest U.S. tyre maker.

After its sharp first-quarter earnings decline, the group has just managed to break even in the second three-month period.

Firestone reports a net income of \$5m, equal to 10 cents a share, for the second quarter, but this includes an after-tax gain of \$5m related to a partial liquidation of Lifo stocks.

period of fiscal 1981, net income was \$27m, or 46 cents a share—this included a gain of \$12m from debt repurchases.

The latest returns bring net income for the half-year to \$7m or 13 cents a share, compared with \$103m or \$1.78 a share previously. The 1981 figure, however, also includes a gain of \$50m, equal to 86 cents a share, on the sale of Firestone Plastics.

Half-year sales declined by 12 per cent, from \$2.17bn to \$1.91bn, with the second quarter producing \$1.02bn against \$1.11bn last year.

The directors attributed the poor returns to continued depressed rubber and latex prices which hurt operating income. In addition, reduced demand for original equipment automotive and truck related products, as well as temporary plant shutdowns, contributed to the setback.

In the North American tyre division, operating income in the second quarter fell from \$18m to \$11m.

Bolivia able to service debt

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

BOLIVIA, which last week warned international bankers that it would be unable to meet its debt service commitments during June, has withdrawn a request for a meeting to discuss its cash flow situation.

The country will be able to meet the commitments after all, it says. In addition a payment due this month has been paid after a delay of a week.

The ability to go on paying debt service commitments to its international bankers has removed the threat to its \$450m debt rescheduling arrangement concluded with commercial banks last year.

While the immediate problem has passed, the small amount of payments involved—\$45m this month and \$1.6m in June—has left the impression that Bolivia's finances are very tight.

In addition it has yet to negotiate an agreement on an economic stabilisation programme with the International Monetary Fund which was promised when the rescheduling agreement was signed in April last year.

AN ACRIMONIOUS battle in the insurance industry took another turn yesterday when American General, twelfth largest in the industry, rejected the \$620m bid for voting control by NLT the Nashville-based insurance holding company.

American General directors said in Houston that the NLT offer for 48 per cent of the equity was "not in the best interest of the company," adding that it was "inadequate and of questionable legality."

NLT's offer was intended to fight off an equally unwelcome offer for its own equity by American General.

German banks launch two DM100m bonds

By Our Euromarkets Correspondent

GERMAN BANKS pressed ahead with their heavy calendar of new foreign issues yesterday launching two bonds of DM 100m each, for Norsk Hydro and for Mexico's electric utility Comisión Federal de Electricidad (CFE).

There was, however, a striking difference in the coupons offered on the two issues reflecting the relative standing of the borrowers in the bond market.

Norsk Hydro is paying a coupon of 8 1/2 per cent for its 10-year issue, which has been priced at 94 by lead managers Deutsche Bank. CFE is paying 11 per cent over seven years for its bonds. The issue price has been left open by lead managers WestLB.

Tomorrow another DM 100m issue is expected for Sweden to be led by Deutsche Bank, bringing the number of issues announced this week to four. Yesterday the market appeared to be faltering in the wake of such a heavy offering and seasoned bonds fell up to 1/2 point in fairly tight trading.

U.S. \$200,000,000 Du Pont Overseas Capital N.V. Guaranteed Retractable Notes Due 1997. E. I. du Pont de Nemours and Company. Credit Suisse First Boston Limited. Algemene Bank Nederland N.V. Banque Bruxelles Lambert S.A. etc.

FT INTERNATIONAL BOND SERVICE. The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Wednesday June 16. Closing prices on May 25.

Companies and Markets **INTL. COMPANIES & FINANCE**

Daimler to reorganise U.S. truck operations

By Kevin Done in Frankfurt
DAIMLER-BENZ, the West German car and commercial vehicle manufacturer, is to reorganise its U.S. truck-making operations. The company is centralising its activities under the management of Freightliner, the heavy truck manufacturer which it acquired last year for \$260m from Consolidated Freightways.
The acquisition established Daimler-Benz, one of the world's leading heavy truck makers, for the first time in this segment of the U.S. market.
Freightliner is taking over responsibility for the German group's existing medium-sized truck assembly operation in Hampton, Virginia. The combined operations will have annual sales of around \$700m and a workforce of 4,600.
Freightliner, which operated at a loss last year, sold around 10,000 trucks of 15 tonnes and above in 1981, claiming a market share of close to 18 per cent.
The smaller truck operation at Hampton sold 4,000 trucks in the 7.5-15 tonnes range. The plant is an assembly operation for components shipped from Daimler-Benz's Brazilian truck factories.
Daimler-Benz intends to maintain both the Freightliner and Mercedes-Benz names in the U.S., but will increase the number of dealers handling both product lines.
The truck operations will be centralised in Portland at the Freightliner headquarters, while Daimler-Benz's car sales activities will remain the responsibility of Mercedes-Benz of North America in Montvale, New Jersey.
Daimler-Benz increased car sales in North America last year by 18 per cent to 65,810 units, despite the continuing deep recession in the general U.S. car market. About 78 per cent of Mercedes-Benz cars sold were diesel-powered

Profits doubled at Novotel

By David White in Paris
NOVOTEL, the biggest French hotel operator, has announced 1981 consolidated net profits almost double those of 1980 at FFr 66.5m (\$11m) on turnover 23 per cent higher at FFr 1.75bn.
The 1980 comparison was adjusted to include the Soitel chain which Novotel took over at the end of that year from Jacques Borel International, the catering chain with which it is now in the process of merging.
The sharp rise in last year's profits was partly accounted for by a long-term capital gain of FFr 20.5m. The group said growth had continued this year, with turnover at its fully-owned and franchised hotels rising at the same rate of 23 per cent over the corresponding period a year ago, to FFr 914m.
This growth was led by its foreign interests, which showed a 30 per cent rise—compared with 17 per cent in France—and made up 45 per cent of the total.
Novotel, which includes the Ibis and Mercure chains, currently has 360 hotels in operation or under construction in 37 countries.
Jacques Borel International, which ran into trouble with Soitel in the late 1970s, had earlier announced net profits of FFr 33.4m for 1981, on turnover of FFr 2.5bn.

Total group seeks to stay out of chemicals shake-up

BY TERRY DODSWORTH IN PARIS
ONE OF France's two big oil groups, Compagnie Française des Pétroles (CFP), which operates under the Total title, has told the Government that it wants no part in the planned reorganisation of the chemicals industry announced two weeks ago.
Commenting on the scheme, M Granier de Lilliac, chairman of CFP, said that "simple equity" demanded that the company should be allowed to sever its links with its petrochemical activities. It argues that its proposed role as a minority shareholder in the big new chemicals organisation being created by the authorities would be too risky.
Under the government plan, CFP would have seen its 50 per cent participation in two groups, Ato-Chimie and Chloé, substantially reduced.
Although no figures have been put on the project, the idea was to hand over control to Elf-Aquitaine, the other big French oil group. Elf already has a 50 per cent shareholding in Ato and Chloé, but has been selected by the Government to play a much stronger role in the chemicals industry.
CFP is clearly worried by the prospect of having to take a subordinate role to Elf in the planned new group. M de Lilliac emphasised that it was a sound principle of business management to have control of important assets at a time of reorganisation.
In addition, the restructuring of the company around Elf could involve heavy expenditure by the shareholders. Part of the government plan is to merge the loss-making chemicals interests of Pechiney-Ugine-Kuhlmann into Ato and Chloé.
Rather than be involved in this reorganisation, M de Lilliac has asked the Government to arrange some method of buying out its shareholdings in Ato-Chimie. Since the company had been affected by government decisions in the petrochemicals sector, he said, it was only fair that it should be able to sell its assets for investment in other parts of the group.
The Government response to this plea remains to be seen. Traditionally, the two big French oil companies are extremely sensitive to the Government's wishes, partly because of the authorities' control over the oil products market, and partly because of direct state participation in their equity.
At CFP, 40 per cent of the voting shares are controlled by the Government.

Hamilton Brothers in Volvo talks

BY WILLIAM DUFFORCE, NORDIC EDITOR, IN STOCKHOLM
VOLVO acknowledged yesterday that Hamilton Brothers is among the oil companies with which it has been discussing future co-operation. It declined to comment on a press report that it was negotiating the purchase of a stake in the U.S. company.
In the prospectus for its SKr 600m (\$105m) rights issue published in May, Volvo announced that it was seeking "an existing oil company with good oil and gas reserves" for takeover by its subsidiary, Volvo Energy.
Formed in 1980 with a capital of SKr 50m, Volvo Energy is seen as the vehicle for the Swedish group's diversification into the oil business. Volvo Energy owns 15 per cent of two concessions in the UK sector of the North Sea, where no wells have yet been drilled, and minor shares in two concessions on the Norwegian shelf. It owns slightly more than 20 per cent of International Energy Development Corporation (IEDC), in which it is partnered by the Kuwait Petroleum Corporation. Volvo Energy has suffered a substantial loss on a Norwegian company which built modules for offshore platforms in which it invested with a Norwegian partner. Last year, its first full year of operation, Volvo Energy invested SKr 315m and reported a pre-tax loss of SKr 180m.
In the first half of 1981 it bought Fred Olsen, which owned rights in both producing oilfields and concessions in the U.S. The Volvo management has recognised the need to buy a share of a substantial and profitable oil company in order to provide its subsidiary with "appropriate cash flow."
By taking over the Beijerinvest Group last year Volvo also acquired Scandinavian Trading Company, a profitable oil trading concern with a 1981 turnover of SKr 19bn. Scandinavian Trading has bought shares in Texon Oil and Gas and has invested in three offshore rigs.

Interest costs hit Atlas Copco

BY OUR NORDIC EDITOR, IN STOCKHOLM
PRE-TAX profit of Atlas Copco, the Swedish compressed air and hydraulic machinery group, declined by SKr 7m to SKr 155m (\$27m) in the first quarter despite a 17 per cent increase in sales to SKr 1.88bn (\$327m).
Trading profit climbed by SKr 19m to SKr 277m, but depreciation charges were SKr 7m higher and net interest costs grew from SKr 74m in the first three months of 1981 to SKr 90m. The profit margin was 8.3 per cent against 10 per cent last year.
The return on capital employed (excluding non-interest bearing current liabilities) was 20.2 per cent in the 12 months to the end of March compared with 19.8 per cent in the full year 1981. Profit per share for the 12 months was SKr 16.10 against SKr 16.20 for 1981.
During the quarter, sluggish demand for mining and construction equipment in such countries as Australia, Canada, Mexico and Peru was compensated by an upturn in a large number of West European markets, including Norway, Britain, West Germany, Italy and Spain.
Group order bookings totalled SKr 3.1bn, an increase of 16 per cent over the previous year's first quarter.
Mr Tom Wachtmeister, managing director, notes indications of greater industrial output in some west European markets, but comments that economic recovery is late in coming.
Atlas Copco's strong market position offers prospects for favourable development during 1982, but exchange rates continue to be a factor of uncertainty, Mr Wachtmeister adds.
No profit forecast is given for the rest of the current year. Last year Atlas Copco turned in earnings of SKr 570m, an advance of SKr 128m, on turnover of SKr 7.5bn.

Net earnings at Banesto register strong advance

BY ROBERT GRAHAM IN MADRID
BANESTO, Spain's largest commercial bank, has announced a 41 per cent increase in net profits to Pta 15.4bn (\$154m) for 1981. Sr Jose Maria Aguirre, the bank's 84 year old chief executive, told shareholders at the annual meeting that the results were "magnificent."
The bank is maintaining its cautious approach and is holding the dividend to Pta 6bn and setting aside Pta 6bn for reserves. Reserves now stand at Pta 61bn and total assets at Pta 88bn.
The strong performance is attributed to the low cost of the bank's liabilities at a time of high interest rates. The cost of Banesto's deposits is 0.7 per cent less than that of the other big seven banks. In good measure this is due to Banesto's extensive presence in rural areas. It also has a smaller percentage of current accounts and a greater percentage of savings accounts than the other big seven banks. Deposits at the year-end totalled Pta 1,183bn.
Another notable feature in the results is a change in provisions for doubtful debts and loan losses. In 1980 these jumped from Pta 8.4bn to Pta 16.5bn largely as a result of the takeover of Banco de Madrid and coping with the industrial offshoot Cadesbank. In 1981 provisions in this respect dropped to Pta 14bn and overall provisions for write-offs rose only slightly from Pta 21.6bn to Pta 22.4bn, an increase mainly coming from portfolio adjustments.

DG Bank shows rapid recovery

By Our Financial Staff
DG BANK, the major West German co-operative bank, increased earnings by 40 per cent in the first four months of 1982. Herr Helmut Guthardt, managing board chairman, said the performance this year suggests that the omission of the 1981 dividend was a "one-time occurrence."
The DG Bank chief said that the downturn in interest rates this year had boosted earnings. The bank's interest spread, a key indicator of profitability, expanded to 0.58 per cent in the four months from 0.42 per cent on average in 1981 and 0.36 per cent in 1980.
For 1981, DG Bank posted net group profit of DM 52.5m (\$23m), down from DM 69.4m in 1980.

INTERNATIONAL APPOINTMENTS

Senior posts at Getty Oil

● **GETTY OIL COMPANY** has elected Mr Jim E. Shamas a corporate vice-president and Mr R. D. Copley Jr general counsel. Mr Shamas becomes vice-president, pipelines and terminals, a new position. He also remains president and chief executive officer of Western Crude Oil, Inc., a wholly-owned subsidiary based in Denver, Colorado. Mr Copley who was vice-president, chief counsel and secretary, becomes vice-president, general counsel and secretary. Mr Copley succeeds the late Mr C. Lansing Hays, Jr. as general counsel.
● **GENERAL SIGNAL CORP** has elected Mr Ralph E. Bailey to its board. He is chairman of Conoco Inc. and a vice chairman of the Du Pont Company, of which Conoco is a subsidiary. Mr Bailey is also a director of J. P. Morgan and Company, Inc. and its subsidiary, Morgan Guaranty Trust Company of New York.
● Mr James F. McCloud and Mr Richard N. Gary have been elected directors of KAISER STEEL CORPORATION. Mr McCloud is president and chief operating officer of Kaiser Engineers, Inc. a wholly-owned subsidiary of Raymond International Inc. Mr Gary is executive vice president of Kaiser Steel. Mr Robert J. Briggiano, has been elected vice president, planning and controller of Kaiser Steel Corp. effective immediately. He has been corporate controller since 1980.

● **WHITNEY COMMUNICATIONS CORP** has elected Mr Walter N. Thayer chairman and chief executive officer and Mr Charles E. G. Bees president and chief operating officer. Mr Thayer succeeds the late Mr John Hay Whitney. Mr Thayer has been president and a director of Whitney Communications Corp. since 1980. Mr Bees a general partner of Whitcom Investment Company, is currently senior vice president, secretary and a director of Whitney Communications Corporation.
● Mr Richard G. Rogers has been elected president and chief operating officer and Mr Hans A. Wolf has been elected chief administrative officer of SYNTEX CORP. Mr Rogers, Mr Wolf and Dr John H. Fried, senior vice president of Syntex Corp and president of Syntex research division, have also been elected to the board.
● Mr William B. Sayre, head of the agricultural property management division of the Continental Illinois Bank, has become a vice-president of ANGLo AMERICAN AGRICULTURE USA INC.
● Mr Ray J. Savage has been appointed vice-president and manager of the newly-opened Montreal office of National Westminster Bank's wholly-owned subsidiary, NATIONAL WESTMINSTER BANK OF CANADA. Previously he worked for the NatWest Group in London and Brussels and immediately prior to taking up his new duties spent three years in Paris. The Montreal office supplements the existing representation of Calgary, Toronto and Vancouver.

SOCIÉTÉ GÉNÉRALE DE BELGIQUE
Financial Year 1981
The General Shareholders' Meeting approved the payment of a net dividend of 90 Belgian francs against presentation of coupon No. 11.
Following a review of the annual accounts, and the effects on the Société Générale de Belgique of the activities of Sybeltra in Iraq as well as the change in the company's size, the Governor, Mr R. Lamy, announced that for 1982 income from investment holdings would be substantially higher as a result of being able to take in the full year's results of Tanks.
The additional borrowing which the company had to contract to finance its take-over bid of Tanks would, however, have an impact on the level of interest charges. "We are determined to provide the Société Générale with the room for manoeuvre it requires both to carry on its own activities and to provide support for the companies in the Group," the Governor stated in his address to the meeting.
The Directors' report refers to the various restructuring operations carried out between the Société Générale and the ancienne Union Minière.
These operations had two objectives: to give the Group's non-ferrous metals sector a more appropriate structure and to strengthen the company's financial position by enlarging its size and increasing its equity base. The report also outlines the future policy and course of action to be pursued by the Société Générale within the framework of the Group as a whole.
After analysing the economic context, with particular reference to the American economy, economic policy in Europe and Belgium in 1981, and the measures adopted in Belgium since the beginning of 1982, the annual report continues with a review of the situation of the various companies which form the Société Générale Group.
The Société Générale de Banque, for example, is expanding its international activities. Sofina is investing risk capital, through the British company Advent Technology, in new advanced technology ventures. Tractoniel has intensified its efforts in promoting Belgian engineering exports.
This report is now available from Société Générale de Belgique, Information Department, 20, Rue Royale, B-1000 Brussels (Belgium). Tel: (2) 513.38.80, as well as from Banque Belge Limitée, 4 Bishopsgate, London EC2N 4AD. Tel: (01) 283 1080.

DAELIM
DAELIM INDUSTRIAL COMPANY LIMITED
Republic of Korea
U.S. \$30,000,000
Short-Term Loan Facility
Lead Managed by
The National Bank of Kuwait S.A.K.
Managed by:
Alahli Bank of Kuwait K.S.C.
Al Bahrain Arab African Bank (E.C.)
'Al Baab'
B.A.I.I. (Middle East) E.C.
Banco Arabe Español S.A.
'Aresbank'
FRAB Bank International
Union de Banques Arabes et Françaises (Singapore)
Provided by
The National Bank of Kuwait S.A.K.
Alahli Bank of Kuwait K.S.C.
Al Bahrain Arab African Bank (E.C.)
'Al Baab'
B.A.I.I. (Middle East) E.C.
Banco Arabe Español S.A.
'Aresbank'
FRAB Bank International
Union de Banques Arabes et Françaises (Singapore)
First National Bank of Minneapolis
Kuwaiti-French Bank
The Toyo Trust and Banking Company Limited
Agent
The National Bank of Kuwait S.A.K.

Philip Morris Credit Capital N.V.
(Incorporated in the Netherlands Antilles with limited liability)
U.S. \$200,000,000
Zero Coupon Guaranteed Notes Due 1994
Unconditionally Guaranteed by
Philip Morris Credit Corporation
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The following have agreed to subscribe for the Notes:
Lehman Brothers Kuhn Loeb International, Inc.
Goldman Sachs International Corp.
Credit Suisse First Boston Limited
Dresdner Bank Aktiengesellschaft
Société Générale
Swiss Bank Corporation International Limited
Union Bank of Switzerland (Securities) Limited
The Notes, to be issued at 22.25 per cent of the principal amount thereof, have been admitted to the Official List by the Council of The Stock Exchange subject only to the issue of the temporary Global Note.
Full particulars of the Notes, the Issuer, the Guarantor and Philip Morris Incorporated are available in the Extel Statistical Service and may be obtained during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including June 9, 1982 from the broker to the issue:
Cazenove & Co.,
12 Tokenhouse Yard,
London EC2R 7AN
May 26, 1982

Bank of Baroda
U.S. \$30,000,000 Floating Rate Notes due 1989
In accordance with the provisions of the above Notes, notice is hereby given that for the six months from 27th May, 1982 to 29th November, 1982 the Notes will carry an interest rate of 14 1/2% per annum.
The interest payable on each U.S. \$5,000 Note on the relevant interest payment date, 29th November, 1982, against Coupon No 1 will be U.S. \$381.04.
Agent Bank:
Lloyds Bank International

JUGOBANKA
United Bank
U.S. \$50,000,000
Floating Rate Notes due 1989
For the six months to 29th November, 1982 the Notes will carry an interest rate of 15 3/4% per annum.
Coupon values will be:
\$1,000 Notes \$79.44 \$10,000 Notes \$794.38
Barclays Bank International Limited, London
Agent Bank

Companies and Markets

INTL. COMPANIES & FINANCE

Mitsubishi Electric cuts dividend after profits dip

BY OUR FINANCIAL STAFF

MITSUBISHI ELECTRIC, Japan's third largest integrated maker of electrical equipment, has reported a dip in unconsolidated net profits for the year ended March, mainly because of a higher tax rate.

Net profits were down 4.3 per cent to ¥22.5bn (\$93m) while pre-tax profits rose by 1.4 per cent to ¥47.7bn. Sales grew more strongly by 7.7 per cent to ¥131.5bn (\$5.5bn).

Reflecting the profits performance, the company has cut its dividend to ¥6 a share from ¥7. Earnings per share fell to ¥14.14 from ¥15.42.

The sluggish growth of sales and pre-tax profits was attributed to the stagnant domestic economy which discouraged

consumer spending. Total sales had grown almost twice as fast as a year earlier.

Sales of electric motors and other automotive related products grew by only 1 per cent. Consumer electrical product sales advanced by 8 per cent, with video tape recorders and video screen systems being among the better selling products.

The best performance came from heavy machinery. Sales grew 13 per cent, mainly because of strong demand from steel makers who are investing in plant to make seamless pipes and from electric power utilities which, for example, are building a number of nuclear power plants.

Despite the recession in major industrial countries, Mitsubishi's exports rose by 2 per cent to account for 21.9 per cent of total sales.

Export of such heavy machinery as transformers and electrical equipment for railway rolling stock to southeast Asia, the Middle East and Central and South America were strong and offset weak exports to Europe and the U.S.

Mitsubishi is not expecting much of a pick up this year in the general economy or in personal spending. But it expects demand for computers and semiconductors to help push up sales to ¥1,430bn. Net profits however, are forecast to be about the same at ¥22.5bn.

Mini-car demand lifts Fuji Heavy Industries

By Yoko Shibata in Tokyo

FUJI HEAVY Industries, the manufacturer of Subaru cars, has reported buoyant unconsolidated pre-tax profits for the year ended March 31 1982, thanks to better than expected sales of mini-cars in the domestic market and an improvement in export profitability helped by the yen's depreciation against the U.S. dollar.

Pre-tax profits jumped by 63.4 per cent to a record ¥29.3bn (\$124m). Due to a sharp rise in corporate tax, however, net profits rose by only 7.7 per cent to ¥12.3bn on record sales of ¥533.76bn (\$2.25bn) up by 14.8 per cent from the previous year. Profits per share advanced to ¥40.81 from ¥37.93 and the dividend is raised to ¥7 a share from ¥6.

Car sales rose by 11 per cent to 490,230 units, yielding an 18 per cent growth in value terms to represent 82 per cent of total turnover. Domestic car sales increased by 29 per cent to 249,479 units thanks to the successful marketing of 550 cc mini-cars, mini-stationwagons, and mini-vans. In particular, production of a remodelled front-wheel drive mini-stationwagon, the FF REX Combi which was introduced last September, could not meet demand.

Export sales of cars declined by 3 per cent to 240,468 units, but overall exports rose by 15 per cent in value to ¥244.9bn, or 46 per cent of the total.

Sales of rolling stock again accounted for 7 per cent of the total while sales of buses rose by 7 per cent to account for 5.1 per cent. Aircraft division sales, representing 3.1 per cent of the total increased by only 1 per cent and machinery division sales dropped by 6 per cent to account for 3.4 per cent.

The upsurge in earnings is attributed to the favourable effects of volume production of mini-cars and the yen's depreciation against the U.S. dollar. These factors more than offset the negative effects of the small dip in car export volume.

Net profits are expected to reach ¥13bn, up 7 per cent, in the current year, and sales are projected at ¥570bn, also up 7 per cent.

These eighteen Annual Reports represent the final pages of a 2-part series, designed to keep you informed on major North American companies.

Part 1 was featured Tuesday, May 25.

Doubled VTR sales boost Sharp

BY RICHARD C. HANSON IN TOKYO

SHARP CORPORATION, one of Japan's leading electronic appliance and business machine manufacturers, has reported record profits and sales for the year ended March 31. Net profits jumped by 25.1 per cent to ¥20.35bn (\$86m) and sales rose 15.7 per cent to ¥580.1bn (\$2.45bn).

The dividend total for the year has been raised from ¥7.5 to ¥8.25 reflecting the healthy performance.

Despite generally poor consumer demand in Japan, Sharp lifted sales of electronic appliances by 25.6 per cent to account for nearly 30 per cent of the total against 26 per cent in 1980-81.

Video tape recorders (VTRs) were among the best selling products for most of the year, and sales more than doubled in value. Also up smartly, by 122 per cent, were sales of personal and pocket computers, an area in which Sharp claims to rank among the top in Japan.

The company is one of the few stereo equipment producers in Japan to have avoided the full force of an industry-wide recession. Its new audio systems helped boost stereo sales by 73 per cent.

Paradoxically, the product with the fastest growth in sales for the electronics specialist was the rather humble portable oil

stove. Strong overseas demand lifted sales by 152 per cent to ¥10bn.

Exports overall outpaced the growth of domestic sales, rising by 17.3 per cent in value to account for 37.2 per cent, up one point more than a year earlier.

Sharp is forecasting sales and profits growth of 10 per cent and 20 per cent respectively this year. The company plans to spend about ¥50bn in the year, compared with ¥46bn in 1981-1982, on expanding plant and equipment. Along with increased capacity for VTR production, additions will be made to increase semiconductor production and a technology research centre.

Setback for Seiko watch group

BY OUR TOKYO CORRESPONDENT

K. HATTORI and Company, the core of the Seiko watch group, suffered a 29.1 per cent drop in net profit, to ¥2.4bn (\$10m) in the year to March as a result of the prolonged world-wide recession gripping the watch industry.

Sales rose by only 0.4 per cent to ¥364.8bn (\$1.54bn) as domestic demand remained deep in the doldrums. Exports picked up by 9.2 per cent, to account for 49.7 per cent of sales compared with 45.6 per cent in 1980-81. Demand from overseas markets, however, fell sharply in the latter part of the year under the weight of over-production and price cutting.

Orient Watch, listed on the second section of the Tokyo Stock Exchange, also reported a steep 25.8 per cent drop in net profit to ¥730m, for the year on sales down by 12 per cent to ¥45,960m.

Hattori sees no relief from the current recession in the industry, except for a recovery in the economy in general. The company, now the largest watch producer in the world, lays blame for the industry's dilemma as much on excessive competition among watchmakers in Japan as on the poor state of the economy. It believes that domestic competition has been even more of a culprit than the

emergence of competitors in Hong Kong and elsewhere.

Watch sales, about three-quarters of Hattori's business, slipped by 2.5 per cent to ¥276bn. The only division to show substantial growth was speciality machines. The machines still account for only 4.3 per cent of all sales, but have risen in value by 36 per cent.

The company says there are no quick solutions to the industry's troubles. Production at Hattori's three main Japanese production subsidiaries is not being cut, but neither is it expected to expand.

Singapore Land well ahead midway

By Georgie Lee in Singapore

SINGAPORE LAND, a major local property group, has reported a rise of 83 per cent in pre-tax earnings to S\$5.65m (US\$2.7m) for the half-year ended February.

The impetus for the marked improvement was the 66.8 per cent rise in net rental income to S\$7.7m as a result of rent renewals at substantially higher rates.

Management fees increased 22 per cent to S\$1.86m while interest received dropped 24 per cent as funds were increasingly used to finance development projects.

Management and administrative expenses rose 30 per cent to S\$2.7m because of higher wages and increased staffing requirements. Interest expenses were marginally lower at S\$2.22m due to lower interest rates.

Singapore Land said that Shing Kwan House and Clifford Centre are both fully let and leases continue to be renewed at current market rents as they fall due.

However, some of its tenants in the two buildings will be moving to another of its prestigious buildings, Raffles Tower which is now substantially completed and some loss of rental income in the second half of the year can be expected until the vacated space is let.

Slowdown expected by Lion Match

By Thomas Sparks in Johannesburg

LION MATCH, the consumer products group ultimately controlled by Allegheny International of the U.S., has maintained its trading momentum in the six months ended March.

First-half operating profit before tax, interest, and Life (last in first out) accounting adjustments increased to R6.23m (\$5.8m) from R5.07m on turnover of R34.1m against R29.2m. For the year ended September 1981 operating profit was R11.38m on sales of R63m.

The financial year-end is being changed to November 30 to coincide with that of Match's immediate controlling company, Wilkinson Sword of the UK. The directors believe a downturn in the business cycle will have a greater impact on operations, in the current eight months.

Distributable profits for the current 14-month accounting period are expected to be in line with those of last year.

An improved interim dividend of 19 cents a share has been declared from first half earnings of 39.05 cents a share. Last year the interim dividend was 18 cents and first-half earnings 36.16 cents a share.

Depreciation costs limit earnings growth at Oki

BY OUR TOKYO STAFF

OKI ELECTRIC, Japan's third largest manufacturer of communication equipment, has reported a slowdown in growth of pre-tax profits in the year ended March 31 because of increased depreciation charges. This resulted from sharply higher capital expenditure by the integrated circuit division.

Pre-tax profits rose only 2.7 per cent to ¥7.7bn (\$32.5m) despite a 15.1 per cent increase in turnover to ¥214.17bn (\$89.04m). Net profit fell 13.3 per cent to ¥3.39bn because of a subsidiary's losses. Profits per share were ¥9.60, compared with ¥11.15.

Sales of telecommunication systems advanced 12 per cent to account for 33 per cent of the total, supported by good turnover of facsimile equipment.

Data processing system sales rose 16 per cent to account for 51 per cent of the total, following brisk demand for financial terminals and active overseas demand for printers.

Sales of electronics devices, centering on integrated circuits (ICs) rose 21 per cent to account for 14 per cent of the total. With favourable overseas sales of office automation equipment

such as facsimile machines and printers, overall exports advanced 64 per cent to account for 17 per cent of the total.

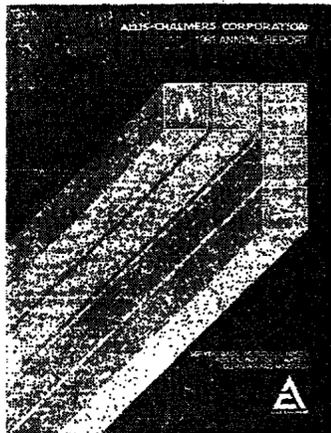
For several years, the company has maintained a high level of capital investment in its integrated circuit division. Oki pumped in ¥22.9bn in 1980-81, and ¥24.6bn in 1981-82, and is planning with ¥18.5bn for 1982-83. The company's new Miyazaki plant for manufacturing several large scale integration products, including 64K dynamic RAMs, began full operation last August.

Depreciation charges in 1981-82 totalled ¥12bn up by 45 per cent over the previous year.

Continued brisk sales of office automation equipment are expected in the current year, and a contribution to earnings from production of ICs at the Miyazaki plant is also expected.

However, depreciation charges of approximately ¥16bn resulting from the continued high level of capital investment are expected to limit earnings growth.

Pre-tax profits are projected at ¥8bn, up 4 per cent and net profits at ¥3.7bn, up 9 per cent. Sales are expected to reach ¥254bn, up 19 per cent in 1981-82.



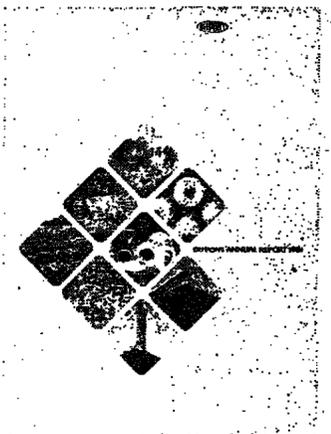
Allis-Chalmers Corporation

A special machinery company with diversified, high technology capabilities to meet basic worldwide needs for energy, food, water, clean air and minerals. The Annual Report discusses progress of the Company's coal gasification program and describes additional specialized technologies to serve growth opportunities of the 1980's.



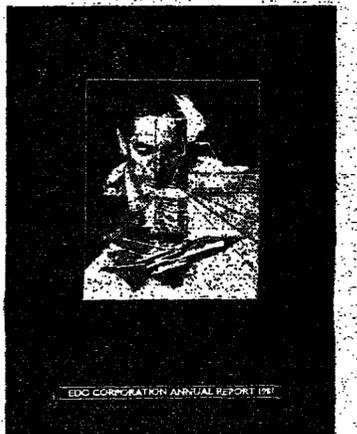
AMCA International

During the past decade this diversified international company enjoyed compound annual growth of 23% in sales (\$1.6 billion in 1981) and 31% in operating income (\$69 million). Dividends essentially kept pace. AMCA is engaged principally in the manufacture and worldwide marketing of heavy industrial and construction steel-based products, and engineering and construction services. Formed 109 years ago as Dominion Bridge, AMCA is traded on Toronto and Montreal exchanges. Listing: AMCA Int.



Du Pont Company

1981 was highlighted by the merger with Conoco Inc., major steps in the biological sciences, and significant improvement in financial performance. The merger established Du Pont as an important factor in energy and natural resources. This diversification should moderate earnings cycles associated with hydrocarbon-dependent businesses, facilitate long-term plans for growth, and enhance Du Pont's worldwide competitive position.



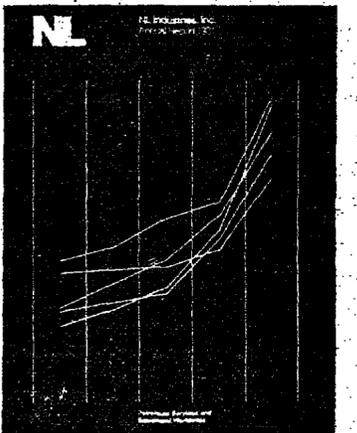
EDO Corporation

EDO produces electronic and specialized equipment for military, general aviation, marine and industrial markets. Principal products: sonar equipment, mine countermeasure systems, and aircraft stores ejection mechanisms; flight instruments and control systems for general aviation; piezoelectric ceramic components, acoustic and video scanning systems; and fiber-reinforced composite components for aircraft. World-wide markets. \$112-million sales produced \$3.3-million net earnings in 1981. EPS: \$1.26 DIV: \$.38 plus 10% Stock Dividend (ASE)



NICOR Inc.

NICOR engages in exploration and development of oil and gas properties; contract drilling for oil and gas operators; barging of petroleum and chemical products; operation of offshore service vessels; marine and diesel equipment repairs; development and mining of coal and other mineral reserves; gas distribution; and other energy-related activities. Net income rose 22% to \$123.3 million on revenues of \$2.1 billion in 1981. Earnings per share were \$5.51. Effective May 1, 1982, the annual dividend increased to \$3.00 per share...the 23rd increase in 24 years. NYSE: GAS



NL Industries, Inc.

NL Industries, Inc., is a leading worldwide supplier of premium petroleum services and equipment. In 1981, profits nearly doubled to a record \$310 million, on sales of \$2.5 billion.

NL expects continued sales and earnings growth above the industry rate because it is strategically positioned to provide the premium products and services required for deep drilling operations which are increasingly important to its customers.

This announcement appears as a matter of record only.

Aktiebolaget

VOLVO

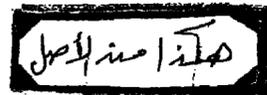
Flux 250,000,000 1982-1987

Private Placement

Underwritten and placed by

Kredietbank S.A. Luxembourgeoise **Banque de Paris et des Pays-Bas**
pour le Grand-Duché de Luxembourg S.A.

April 1982

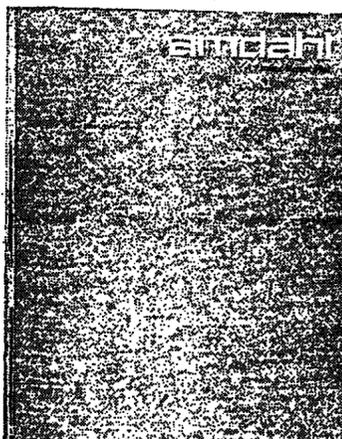


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North American Companies

Investors Update

2



Amdahl Corporation

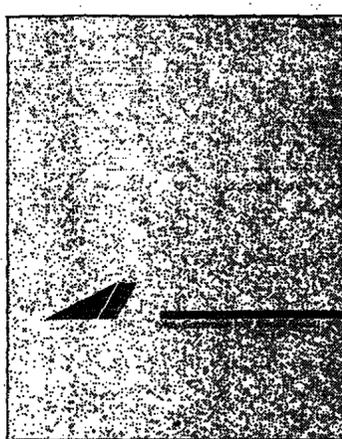
Amdahl is a high technology company engaged in the state-of-the-art design, development, manufacture and marketing of large main-frame computers, software and communications systems equipment. These products are used by large computer users in the full spectrum of commercial and scientific data processing environments. In seven years Amdahl's revenues have grown from \$3.0 to \$443 million. Shareholders equity is \$266 million and stock market value is estimated at \$600 million.



American Brands, Inc.

American Brands' product lines include tobacco, office products and supplies, hardware, food, distilled beverages, and life insurance. A leading subsidiary is Gallaher Limited. 1981 sales totaled \$6.54 billion and net income was a record \$386 million, or \$6.68 per Common share.

Over the past five years, earnings per share have grown at a compound annual rate of 18% and dividends at 20%. The return on Common stockholders' equity in 1981 was 20%.



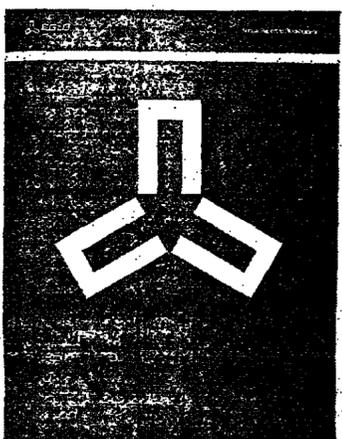
Avco Corporation

Avco Corporation (NYSE: AV) is a diversified international company with major interests in financial services, aerospace, defense and high technology. At year-end Avco reported \$2.3 billion in revenues, more than \$6 billion in assets and a \$2.2 billion backlog. During the next five years, the greatest opportunities for growth will be in its manufacturing operations, primarily its aerospace and defense-related activities due to involvement in such major programs as the M1 main battle tank, the C-5 military transport, MX missile and the B-1B bomber.



Chesebrough-Pond's Inc.

Chesebrough-Pond's achieved its 26th consecutive year of consistent profitable growth in 1981. Net income increased 14.8% to \$114.3 million. Sales rose 10.8% to \$1.53 billion. Well-known brand names for this diversified world wide marketer of consumer products for the family include: Ragu, Health-tex, Boss, Pond's, Adolph's, Vaseline, Cutex, Intensive Care, Cadet, Wind Song, Avance, Chimere, Prince Matchabelli, Q-tips, Aziza, Rave, Peggy Sage, Vaseline, Louis Philippe and Patricia's.



EG&G, Inc.

EG&G, a diversified technology company, concluded its twelfth consecutive year of record performance in 1981. Sales increased 14% to \$704 million, while net income increased 27% to \$34 million. Operations are divided into five segments: Instruments, Components, Environmental and Biomedical Services, Custom Services and Systems, and Department of Energy Technical Support. Dividends have been paid for seventeen consecutive years, and EG&G has split its stock 2-for-1 twice in the last three years.



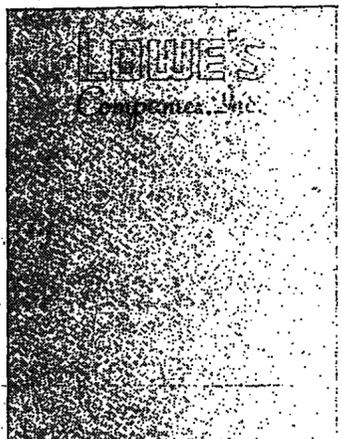
First Interstate Bancorp

First Interstate Bancorp, the 8th largest U.S. banking company with assets of \$37 billion, is the country's second largest retail banking organization. Operating earnings totaled \$246.5 million for 1981, marking the 6th consecutive year of record earnings, and ranking First Interstate first in return on assets and second in return on equity among the nation's 15 largest bank holding companies. Earnings have grown at an annual compound rate of 21.5% over the past 5 years. At \$1.99 a share paid in 1981, First Interstate's dividends were up 112% over 1980, the 5th increase in 42 months. First Interstate's electronic network links 6,000 teller terminals and more than 600 Day and Night automated teller machines in 901 banking offices in the West.



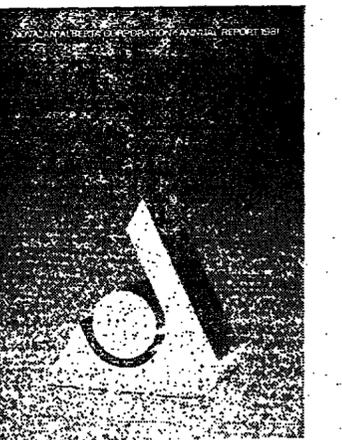
Frank B. Hall & Co. Inc.

A leading international insurance services firm, Frank B. Hall revenues in 1981 increased 13% to \$353,470,000, net income rose 6.5% to \$30,467,000, per share earnings increased 1.5% to \$2.65. Revenues have more than doubled during the last 5 years. Since 1975 dividends have increased at a compound annual rate of 22%. Currently the Company pays \$1.70 annual dividend. NYSE symbol FBH. The Hall Report comes in a special container which converts to a convenient personal recordkeeping file.



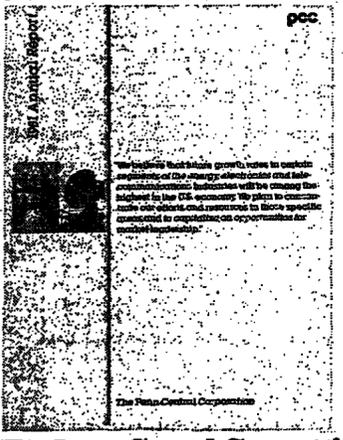
Lowe's Companies, Inc.

Lowe's 1981 reports on a difficult, challenging and profitable year and looks back on 20 dynamic years as a public company. Particular emphasis, however, is on the next 20 years with some attempts to divine the dimensions of the future. Lowe's shares are listed on the New York, Pacific and London Stock Exchanges. Ticker Symbol: LOW.



NOVA, AN ALBERTA CORPORATION

NOVA, AN ALBERTA CORPORATION is a major, independent Canadian-owned company active in natural gas transmission, resource development, petrochemicals and manufacturing. Interests include participation in the Alaska Highway and Trans Quebec and Maritimes pipelines, expansion of Alberta's world-scale petrochemicals industry and majority ownership in Husky Oil Ltd. Assets currently total over \$5 billion, and revenues for 1981 were \$2.7 billion.

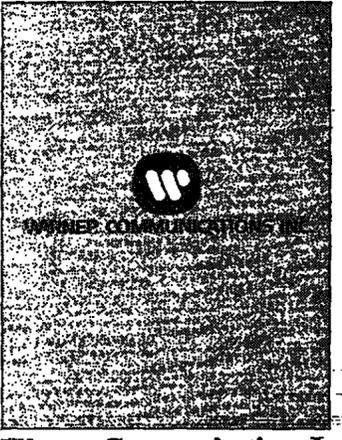


The Penn Central Corporation

Penn Central has achieved rapid growth since its reorganization in October 1978. Through acquisitions, PC has secured market leadership positions in industries that are expected to yield substantial growth for the 1980's: energy equipment and services; and electronics and telecommunications. (NYSE:PC)

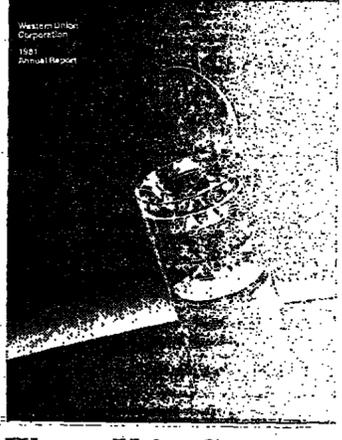
	1981	1980	1979	1978*
Revenues (millions)	\$3,348.8	\$2,013.7	\$1,087.5	\$667.1
Net Income per Share	\$4.18	\$1.81	\$1.61	\$1.53
Book Value per Share	\$40.95	\$33.81	\$14.10	\$11.11

*Proforma



Warner Communications Inc.

Warner Communications Inc. (WCI) is among the worldwide leaders in consumer electronics, led by Atari; recorded music, through the Warner Bros., Elektra/Asylum, and Atlantic record labels; filmed entertainment, through Warner Bros.; and direct response marketing, through Franklin Mint. WCI also has operations in cable television, through 50%-owned Warner Amex; publishing; cosmetics and fragrances; and soccer. Over the past ten years, earnings per share have grown at a 24% compound annual rate. 1981 revenues increased 56%, net income 65% and earnings per share 50% over 1980; WCI's indicated dividend for 1982 will be 47% higher than 1981.



Western Union Corporation

Western Union, the leading carrier of record message and data traffic in the U.S., provides a broad range of telecommunications services to business, government and the public. Revenues for 1981: \$906.7 million; Income: \$59 million.

The Company's extensive communications network includes a transcontinental microwave system and Western's satellites. To continue its satellite preeminence, WU is launching two new satellites in 1982. International Telex service is scheduled to begin later this year.

Please send me the following Annual Reports:

- 13 Allis-Chalmers Corporation
- 14 AMCA International
- 15 Amdahl Corporation
- 16 American Brands, Inc.
- 17 Avco Corporation
- 18 Chesebrough-Pond's Inc.
- 19 Du Pont Company
- 20 EDO Corporation
- 21 EG&G, Inc.
- 22 First Interstate Bancorp
- 23 Frank B. Hall & Co. Inc.
- 24 Lowe's Companies, Inc.
- 25 NICOR Inc.
- 26 NL Industries, Inc.
- 27 NOVA, AN ALBERTA CORPORATION
- 28 The Penn Central Corporation
- 29 Warner Communications Inc.
- 30 Western Union Corporation

I also want these Annual Reports featured May 25.

- 01 American International Group, Inc.
- 02 AMETEK,
- 03 American Medical International
- 04 AMP Incorporated
- 05 Crum and Forster
- 06 CSX Corporation
- 07 Hospital Corporation of America
- 08 InterNorth, Inc.
- 09 Loral Corporation
- 10 Northwest Energy Company
- 11 Pay Less Drug Stores-Northwest, Inc.
- 12 United Energy Resources, Inc.

Name _____
 Position _____
 Company _____
 Address _____

Please return coupon by August 2, 1982

To: Michael Pridesaux
 Financial Times
 Bracken House, Cannon Street
 London EC4P 4BY

Or: Laurence Allen
 Financial Times
 75 Rockefeller Plaza
 New York, NY 10019

Companies and Markets

WORLD STOCK MARKETS

Prime rate cut lifts Wall St

NEW YORK Stock table with columns for Stock, May 24, May 21, and various market indicators.

Stock table with columns for Stock, May 24, May 21, and various market indicators.

Stock table with columns for Stock, May 24, May 21, and various market indicators.

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Stock table with columns for Stock, May 24, May 21, and various market indicators.

Indices table with columns for Index, 1982, and 1981 values.

Indices table with columns for Index, 1982, and 1981 values.

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A CUT in Prime Rate to 16 per cent from 18 per cent by two banks yesterday morning gave Wall Street an early uplift in a reasonable turnover.

Analysts said investors started buying into the market late the previous day after two banks cut their broker loan rate to 14 per cent from 18.

The Dow Jones Industrial Average improved 3.80 to \$40.18 and the NYSE All Common Index 0.28 to 66.45, while advanced led declines by a ratio of seven-to-four.

The market accelerated its recent decline in further light trading yesterday. Major depressants were the likelihood that the Government will be forced to issue additional National Bonds to cover its revenue short-falls and the year's latest weak-

ness against the U.S. dollar. The continuously thin trading was traced in part to the fact that investors were staying out of the market to await developments at this year's economic summit meeting of seven industrial countries scheduled for June in France.

The Nikkei Dow Jones Average dipped 38.85 to 7,428.40 and the Tokyo SE Index 2.43 to 552.64. Falls outpaced advances by 387 to 216 on the First Market following volume of 170m shares, against Monday's 130m.

Analysts said it is difficult to assess what impact the issue of additional Bonds would have, but said any consequent rise in interest rates would deprive the stock market of funds.

Many Camera shares fell on news that Canon is planning a cutback in production in the near future. Shares of Canon fell 2.26 to 12.00.

The Toronto Composite Index was 5.0 higher at 1,518.4 at noon, while the Oil and Gas Index

rose 17.7 to 2,676.3. However, the Gold shares index lost 44.4 to 1,946.3.

Among the active Turbo Resources was 7 cents at CS1.52, Gulf Canada rose to CS151, Royal Bank was up at CS201, and Dome Petroleum was unchanged at CS74.

Dickenson Mines, up 15 cents at CS170, said it has agreed to sell to Sullivan Mines certain mining assets for CS10.25m and other considerations.

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oil market towards the end of the year. Nippon Oil was up 37¢ to 2.92.

Firm exceptions among the Blue Chips were Fuji Photo Film, Y20 higher at Y1,460, and Victor Y240 stronger at Y2,350, mainly on expectations of better earnings as a result of strong sales of magnetic tapes for video tape recorders.

Light professional buying in a market short of stock left shares in net advance, reversing the recent earlier trend. The Commerzbank Index rallied 3.3 to 700.8.

Hope that the Falklands conflict may be nearing an end was cited by brokers as a positive factor.

Motor issues were also bolstered by buoyant production and export figures for April. Daimler Benz rose 2.50 to DM 277.50 and BMW DM 130 to DM 207, although Volkswagen was only 10 pfennigs up at DM 152.60.

In Bond trading, prices continued their downward trend, with Public Authority Issues recording losses of 1.50 to 1.75, while Euro-mark Bonds also softened.

Stock prices were marked down across a broad front yesterday in fairly light volume. The indicator, De Tendance Index receded 1.5 more to 119.5.

Analysts said the market's weakness was directly related to the announcement that the French Government will float a FF 10bn state loan on the domestic bond market early next month. This will divert liquidity from the equity market, and investors are expected to stay away from the Bourse until the operation is completed.

A decline in some U.S. interest rates on Monday was met with a burst of enthusiasm on the Hong Kong stock market yesterday, with prices rising steadily

throughout the session. The Hang Seng Index climbed 29.39 to 1,583.33, its best one-day gain in almost three weeks.

Combiner turnover was a modest HK\$282.50m, but was a good increase on Monday's light HK\$150.72m.

Brokers said the primary influence was a cut in some U.S. broker loan rates, which is hoped will lead to a reduction in prime rates soon. Several analysts said that despite the local economy's current relative lull, prospects would be very bright if interest rates did come down.

Some Asian buying interest concentrated in several leading stocks gave a brighter look to the market yesterday.

After declining for the past eight consecutive days, the All Ordinaries Index picked up 3.5 to 509.3, although the overall market trend was rather mixed.

The Oil and Gas Index put on a 3.9 to 488.3, while Metals and Minerals 3.0 to 370.4. The index for 50 leading stocks rose 4.5 to 464.7.

Market analysts said buying orders from Hong Kong and Singapore had a marked influence on the market because of the current low turnover. However, they added that activity from London would be needed before prices shake out their mainly downward trend.

The index for 50 leading stocks rose 4.5 to 464.7. Bond, after Monday's advance of 1.4 cents, added 4 cents at AS3.29, about an expected announcement regarding the company's pending sale of a major asset.

Santos, which Bond has a 15 per cent stake, was 24 cents up at AS7.74, while Cooper Basin participants Basin Oil, in which Bond also has a substantial stake, was 5 cents higher at AS1.80.

Elsewhere in the Oil and Gas sector, Vamgas gained 20 cents to AS3.10 and Crusader Oil 6 cents to AS5.16.

Germany

Light professional buying in a market short of stock left shares in net advance, reversing the recent earlier trend.

Tokyo

The market accelerated its recent decline in further light trading yesterday. Major depressants were the likelihood that the Government will be forced to issue additional National Bonds to cover its revenue short-falls and the year's latest weak-

Paris

Stock prices were marked down across a broad front yesterday in fairly light volume. The indicator, De Tendance Index receded 1.5 more to 119.5.

Canada

Responding to news of some lower U.S. interest rates, Canadian markets displayed a firming tendency in light early dealings yesterday following the holiday-lentened market on Tuesday.

Hong Kong

A decline in some U.S. interest rates on Monday was met with a burst of enthusiasm on the Hong Kong stock market yesterday, with prices rising steadily

Canada

Table with columns for Stock, May 21, May 20, and various market indicators.

Belgium

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Holland

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Australia

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Japan

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Slow day's trading but rally in equities continues Index up 5 points more for two-day rise of 20.2

Account Dealing Dates

First Declared Last Account Dealings... May 1 June 3 June 4 June 14 June 7 June 13 June 15 June 23 June 21 July 1 July 2 July 12

The sharp recovery in equity markets on Monday was taken a stage further yesterday, but the pace in the advance slackened considerably following Ministerial caution about the Falklands.

Yesterday's rise in leading shares owed much to the continued absence of sellers, fresh demand being on a modest scale. The announcement of the long-remembered £150m rights issue from Grand Metropolitan at the start of business had little real impact, but contributed to early activity.

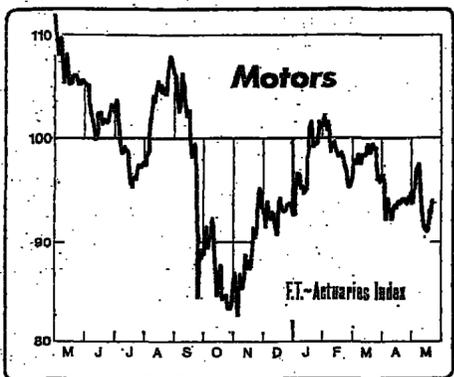
Among the sectors, Shippings continued to benefit from recent Press mention while better-than-expected first-quarter figures from Phoenix prompted a firmer

trend in Composite Insurances.

British Funds passed an extremely quiet trading session, but held steady after the previous day's strong performance. The reduction of 1 per cent in Citibank's prime rate to 16 per cent caused no surprise and made little impression. Quotations moved within narrow limits and closed little altered on balance.

Phoenix pleases

The modest first-quarter profit announced by Phoenix pleased the market which had been expecting worse figures following recent poor quarterly statements from other major Composites. Consequently, Phoenix pushed forward to close 10 higher at 238p, still reflecting hopes of a bid from Allianz Versicherung.



An otherwise lacklustre banking sector was featured by a jump of 17 to 332p in Cater Allen following the annual results. Breweries again displayed interest gains across the board helped by another set of pleasing results, this time from Wolverhampton and Dudley which rose 9 to 217p.

29p to the accompaniment of vague takeover suggestions.

Copydex added a similar amount to 48p awaiting today's annual figures, while Huntleigh gained 6 to 142p on defence spending hopes. Demand ahead of annual results expected next month left Powell Duffryn 6 better at 277p while Zypal firmed 8 to 84p on further consideration of the results.

Several firm spots emerged in the Leisure sector. Horizon Travel met support and gained 12 to 217p, Intasun put on 4 to 144p and revived demand in a thin market lifted Measurama 12 to 175p.

House advanced 20 to 400p. Exco hardened 2 to 200p.

London Merchant Securities eased a penny to 54p; the price shown in yesterday's issue was incorrect. Shippings remained buoyant, still gaining impetus from a broker's circular. British and Commonwealth added 9 for a two-day rise of 18 to 430p.

Interest in Brest was mainly confined to those reporting trading statements. Leeds and District Dyers and Finishers advanced to 83p in response to the doubled first-half profit and increased interim dividend, but ceased to finish 3 dearer on balance at 88p on the discouraging tenor of the accompanying statement.

FINANCIAL TIMES STOCK INDICES

Table with columns for indices: Government Secs, Fixed Interest, Industrial Ord., Gold Mines, Ord. Div. Yield, Earnings, P/E Ratio, Total Bargains, Equity Turnover, Equity Bargains. Rows show data for May 25, May 24, May 21, May 20, May 19, May 18, and Year ago.

HIGHS AND LOWS S.E. ACTIVITY

Table showing stock price activity for various sectors like Govt. Secs, Fixed Int., Ind. Ord., Gold Mines, with columns for High, Low, and S.E. Activity.

FT-ACTUARIES SHARE INDICES

Table showing FT-Actuaries Share Indices for various sectors like Building Materials, Contracting, Engineering, etc., with columns for Index, % Change, and Date.

NEW HIGHS AND LOWS FOR 1982

Table listing new highs and lows for 1982 across various sectors like LOANS, BANKS, BUILDINGS, etc.

RECENT ISSUES

Table of recent issues including AIM Group 10p, Assoc. Meat Services, Bank of Scotland, etc., with columns for Issue Price, 1982 High/Low, and Stock Price.

FIXED INTEREST STOCKS

Table of fixed interest stocks including Cred. Foncier de France, East Anglian Water, etc., with columns for Issue Price, 1982 High/Low, and Stock Price.

"RIGHTS" OFFERS

Table of rights offers including Anabacher (H) 5p, Bank Leum (UK) 2p, etc., with columns for Issue Price, 1982 High/Low, and Stock Price.

ACTIVE STOCKS

Table of active stocks including Grand Metropolitan, Phoenix Assurance, etc., with columns for Stock Price, Day's Change, and Price Change.

MONDAY'S ACTIVE STOCKS

Table of Monday's active stocks including Grand Metropolitan, Phoenix Assurance, etc., with columns for Stock Price, Day's Change, and Price Change.

RISES AND FALLS YESTERDAY

Table showing rises and falls in stock prices yesterday, including British Funds, Corp. Bonds, etc.

NEW HIGHS AND LOWS FOR 1982

Large table listing new highs and lows for 1982 across various sectors like CAPITAL GOODS, BUILDING MATERIALS, CONTRACTING, etc.

COMPANY INFORMATION FOR SALE

Advertisement for McCarthy's Company Information for Sale, featuring a silhouette of a person and text describing the service of providing company information through microfilm.

FIXED INTEREST

Table of fixed interest rates for various terms like 1 year, 2 years, 3 years, etc., with columns for Price, Yield, and Date.

OPTIONS

Text describing options services, including information on share options, call options, and contact details for the service.

Companies and Markets

CURRENCIES and MONEY

\$ & £ firm

Fears about the military situation in the Middle East as a result of the continuing dispute between Iran and Iraq, and reports of renewed hostilities between Israel and Syria, pushed up the dollar in nervous foreign exchange trading. But any rise was probably limited by news of a cut in Citibank's prime lending rate by 1 per cent to 16 per cent. Sterling maintained Monday's firmer trend as market attention remained focused on the Falkland Islands conflict.

recipies at the Frankfurt fixing. The Bundesbank did not intervene when the dollar rose to DM 2.3026 from DM 2.2983, and was probably not active on the open market. Interest rates had little influence on trading, including the cut in the Citibank prime rate. The pound rose to DM 4.1620 from DM 4.1450, and most members of the EMS were also firmer against the German currency.

FRENCH FRANC — EMS member (central position). Trade-weighted index was unchanged at 80.5, against 81.3 six months ago. Three-month interbank 16 1/2 per cent (15 1/2 per cent six months ago). Annual inflation 14.1 per cent (13.9 per cent previous month) — The French franc gained ground against all major currencies, except the dollar and sterling at the Paris fixing. Among EMS currencies the D-mark fell to Ffr 5.9560 from Ffr 6.0111, and the Dutch guilder to Ffr 2.3330 from Ffr 2.3372. Outside the EMS the dollar rose to Ffr 5.9510 from Ffr 5.97, and sterling to Ffr 10.7955 from Ffr 10.7560, while the Swiss franc fell to Ffr 3.0455 from Ffr 3.0590.

DOLLAR — Trade-weighted index (Bank of England) 113.3 against 112.9 on Monday. Three-month Treasury bills 11.3 per cent (10.65 per cent six months ago). Annual inflation rate 6.6 per cent (6.3 per cent previous month) — The dollar rose to DM 2.3315 from DM 2.2980 against the D-mark to Ffr 5.9525 from Ffr 5.9560 against the French franc to SwFr 1.9425 from SwFr 1.9550 in terms of the Swiss franc; and to ¥240.10 from ¥239.30 against the Japanese yen.

STERLING — Trade-weighted index 89.8, against 89.7 at noon and in the morning, 89.6 at the previous close, and 91.2 six months ago. Three-month interbank 13 1/2 per cent (14 1/2 per cent six months ago). Annual inflation 9.4 per cent (10.4 per cent previous month) — The pound rose to DM 4.1775 from DM 4.1580, to Ffr 10.8150 from Ffr 10.7650, to SwFr 3.5425 from SwFr 3.5225, and to ¥239.50 from ¥239.50. It touched an early peak of \$1.1010-\$1.1020 against the dollar, but fell to \$1.0900-\$1.0910 in the afternoon, on good dollar demand, before closing at \$1.0945-\$1.0955, a fall of 3 points on the day.

D-MARK — EMS member (strongest). Trade-weighted index: 125.2 against 125.4 on Monday, and 122.5 six months ago. Three-month interbank 9.10 per cent (10.30 per cent six months ago). Annual inflation 5.0 per cent (5.2 per cent previous month) — The D-mark declined against most major currencies at the Frankfurt fixing.

DUTCH GUILDER — EMS member (third strongest). Trade-weighted index 115.4 against 115.5 on Monday and 115.0 six months ago. Three-month interbank 8 1/2 per cent (11 per cent six months ago). Annual inflation 6.3 per cent (unchanged from previous month) — The guilder weakened against most major currencies, including members of the EMS at the Amsterdam fixing. The dollar rose to Fl 4.6370 from Fl 4.6180. Within the EMS the D-mark improved to Fl 1.1127 from Fl 1.1125, and the French franc to Fl 42.855 from Fl 42.77. Weaker members of the EMS, including the lira and Belgian franc, also gained ground against the guilder, but the Dutch krona was slightly weaker. Outside the system the Swiss franc fell to Fl 1.3085 from Fl 1.30935.

THE POUND SPOT AND FORWARD

Table with columns: May 25, Days' period, Close, One month, % Three months, % Six months. Lists various currencies like US, Canada, Australia, etc.

THE DOLLAR SPOT AND FORWARD

Table with columns: May 25, Day's period, Close, One month, % Three months, % Six months. Lists various currencies like UK, Ireland, Canada, etc.

CURRENCY MOVEMENTS

Table with columns: May 25, Bank of England Index, Morgan Guaranty Changes, etc. Shows percentage changes for various currencies.

CURRENCY RATES

Table with columns: May 25, Bank of England Index, Morgan Guaranty Changes, etc. Shows absolute rates for various currencies.

OTHER CURRENCIES

Table with columns: May 25, Note Rates, etc. Shows rates for currencies like Argentina, Australia, etc.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: ECU, Currency amounts, % change from central, % change adjusted for divergence, Divergence from 100. Lists various currencies.

EXCHANGE CROSS RATES

Table with columns: May 25, Pound Sterling, U.S. Dollar, Deutschmark, etc. Shows cross rates between major currencies.

FT LONDON INTERBANK FIXING (11.00 a.m. MAY 25)

Table with columns: 3 months U.S. dollars, 6 months U.S. dollars, bid 14:58, offer 14:12, bid 14:16, offer 14:12.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Table with columns: May 25, Sterling, U.S. Dollar, Canadian Dollar, etc. Shows interest rates for various currencies.

MONEY MARKETS

Interest rates continued to ease in London yesterday in very quiet trading. Three-month interbank money slipped to 13 1/2-13 3/4 per cent from 13 1/2-13 3/4 per cent on Monday. Adding liquidity to the market, there was a fall in the note circulation of £40m. The Bank gave assistance in the morning of £115m, making purchases of £1m of eligible bank bills in band 1 (up to 14 days) at 13 1/2 per cent and £5m in band 2 (15-35 days) at 13 per cent. In band 3 (36-65 days) it bought £20m of eligible bank bills at 12 1/2 per cent and in band 4 (66-95 days) it bought £20m at 12 1/2 per cent.

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for \$10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, BNP Paribas and Morgan Guaranty Trust.

EUROCURRENCIES

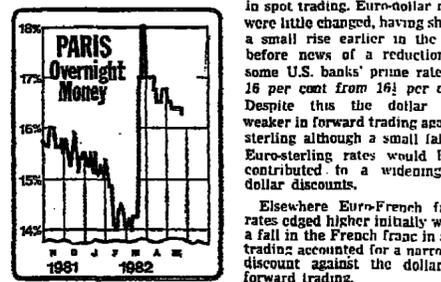
Table with columns: Eurocurrency, Rate, etc. Shows rates for various Eurocurrencies.

Further fall in London rates

Interest rates continued to ease in London yesterday in very quiet trading. Three-month interbank money slipped to 13 1/2-13 3/4 per cent from 13 1/2-13 3/4 per cent on Monday. Adding liquidity to the market, there was a fall in the note circulation of £40m. The Bank gave assistance in the morning of £115m, making purchases of £1m of eligible bank bills in band 1 (up to 14 days) at 13 1/2 per cent and £5m in band 2 (15-35 days) at 13 per cent. In band 3 (36-65 days) it bought £20m of eligible bank bills at 12 1/2 per cent and in band 4 (66-95 days) it bought £20m at 12 1/2 per cent.

Swiss franc rates firm

Euro-Swiss franc rates were firmer yesterday although forward premiums against the dollar were generally higher as the franc showed a weaker tendency in spot trading. Euro-dollar rates were little changed, having shown a small rise earlier in the day before news of a reduction in some U.S. banks' prime rates to 16 per cent from 16 1/2 per cent. Despite this the dollar was weaker in forward trading against sterling although a small fall in Euro-sterling rates would have contributed to a widening in dollar discounts.



LONDON MONEY RATES

Table with columns: May 25, Sterling, U.S. Dollar, etc. Shows money rates for various currencies.

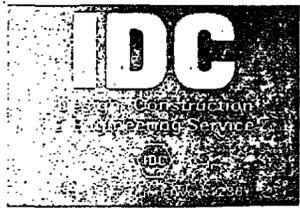
MONEY RATES

Table with columns: New York, Germany, France, Japan. Shows money rates for various countries.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

Large table listing various unit trusts and their authorized trustees, including names like Abbey Unit Trst Mgrs, American Growth, etc.



STOCKS FT SHARE INFORMATION SERVICE

FOOD, GROCERIES—Cont.

LOANS—Continued

BANKS & H.P.—Cont.

CHEMICALS, PLASTICS—Cont.

ENGINEERING—Continued

BRITISH FUNDS

Table of British Funds with columns for Stock, Price, and Yield.

Five to Fifteen Years

Table of funds categorized by 5 to 15 year maturity.

Over Fifteen Years

Table of funds categorized by over 15 year maturity.

Undated

Table of undated funds.

Index-Linked & Variable Rate

Table of index-linked and variable rate funds.

INT. BANK AND O'SEAS

Table of international bank and overseas funds.

SECT. STERLING ISSUES

Table of sector sterling issues.

CORPORATION LOANS

Table of corporation loans.

COMMONWEALTH AND AFRICAN LOANS

Table of commonwealth and African loans.

LOANS

Table of general loans.

Financial

Table of financial stocks.

Building Societies

Table of building societies.

FOREIGN BONDS & RAILS

Table of foreign bonds and rails.

AMERICANS

Table of American stocks.

Overseas

Table of overseas stocks.

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Table of food and grocery stocks.

HOTELS AND CATERERS

Table of hotels and caterers stocks.

INDUSTRIALS (Miscel.)

Large table of miscellaneous industrial stocks.

Advertisement for CANNING with large logo and text: 'WHAT CANNING CAN DO. The W. Canning Group started in Birmingham in 1786 as a driershop and has developed into many related areas...

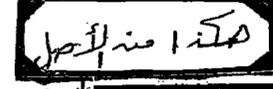
Table of chemical and plastic stocks.

FOOD, GROCERIES, ETC.

Table of food and grocery stocks.

ENGINEERING MACHINE TOOLS

Table of engineering machine tools stocks.



INDUSTRIALS—Continued

Table of stock prices for various industrial companies, including Anglo-Continental, Anglo-Continental, Anglo-Continental, etc.

LEISURE—Continued

Table of stock prices for leisure-related companies, including Leisure, Leisure, Leisure, etc.

PROPERTY—Continued

Table of stock prices for property-related companies, including Property, Property, Property, etc.

INVESTMENT TRUSTS—Cont.

Table of stock prices for investment trusts, including Investment Trusts, Investment Trusts, Investment Trusts, etc.

OIL AND GAS—Continued

Table of stock prices for oil and gas companies, including Oil and Gas, Oil and Gas, Oil and Gas, etc.

Advertisement for DAIWA SECURITIES, International Finance

MINES—Continued

Table of stock prices for mining companies, including Central African, Australian, Tins, Copper, Miscellaneous, NOTES, REGIONAL MARKETS, OPTIONS, 3-month Call Rates, Finance, Diamond and Platinum

MOTORS, AIRCRAFT TRADES

Table of stock prices for motors and aircraft trades, including Motors and Cycles, Commercial Vehicles, Components, Garages and Distributors

SHIPPING

Table of stock prices for shipping companies, including Shipping, Shipping, Shipping, etc.

SHOES AND LEATHER

Table of stock prices for shoes and leather companies, including Shoes and Leather, Shoes and Leather, Shoes and Leather, etc.

SOUTH AFRICANS

Table of stock prices for South African companies, including South Africans, South Africans, South Africans, etc.

TEXTILES

Table of stock prices for textile companies, including Textiles, Textiles, Textiles, etc.

NEWSPAPERS, PUBLISHERS

Table of stock prices for newspaper and publishing companies, including Newspapers, Publishers, Newspapers, Publishers, etc.

PAPER, PRINTING

Table of stock prices for paper and printing companies, including Paper, Printing, Paper, Printing, etc.

ADVERTISING

Table of stock prices for advertising companies, including Advertising, Advertising, Advertising, etc.

PROPERTY

Table of stock prices for property companies, including Property, Property, Property, etc.

INSURANCE

Table of stock prices for insurance companies, including Insurance, Insurance, Insurance, etc.

LEISURE

Table of stock prices for leisure companies, including Leisure, Leisure, Leisure, etc.

OVERSEAS TRADERS

Table of stock prices for overseas traders, including Overseas Traders, Overseas Traders, Overseas Traders, etc.

RUBBERS AND SISALS

Table of stock prices for rubber and sisal companies, including Rubbers and Sisals, Rubbers and Sisals, Rubbers and Sisals, etc.

TEAS

Table of stock prices for tea companies, including Teas, Teas, Teas, etc.

MINES

Table of stock prices for mining companies, including Mines, Mines, Mines, etc.

FINANCE, LAND, ETC.

Table of stock prices for finance, land, and other companies, including Finance, Land, Etc., Finance, Land, Etc., Finance, Land, Etc., etc.

OIL AND GAS

Table of stock prices for oil and gas companies, including Oil and Gas, Oil and Gas, Oil and Gas, etc.

DIAMOND AND PLATINUM

Table of stock prices for diamond and platinum companies, including Diamond and Platinum, Diamond and Platinum, Diamond and Platinum, etc.

NOTES

Notes section containing various financial notices and announcements.

REGIONAL MARKETS

Table of regional market data, including regional market indices and prices.

OPTIONS

Table of options data, including 3-month call rates and other option-related information.

FINANCE

Table of finance data, including interest rates and other financial metrics.

DIAMOND AND PLATINUM

Additional information regarding diamond and platinum markets.

Deacon
The Contractor
to Industry
TUNBRIDGE WELLS
(0892) 39211

FINANCIAL TIMES

Wednesday May 26 1982

Skelmersdale
For full details on land,
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Skelmersdale (0695) 32123

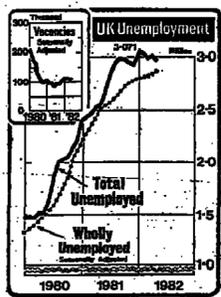
Jobless trend still up but total falls

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

UNEMPLOYMENT continued its upward trend in May, although the total, which includes school-leavers, fell to less than 3m.

Department of Employment figures published yesterday give little cause for hope that the underlying rate of increase in unemployment has moderated during the past few months. This may reflect the sluggish state of the economy during the bad weather last winter and the weak recovery of activity since then.

The rate of increase in unemployment is, however, much less than it was at its peak towards the end of 1980, when it averaged 115,000 per month. Since then, underlying monthly increases have been getting smaller, but there is still no indication of when unemployment itself will start to fall.



The new figures show that the unadjusted total, including school-leavers, declined by 38,000 from the April figure to 2,969m. However, this fall was less than the expected seasonal decrease, which normally results

from a larger number of vacancies at this time of year.

The seasonally adjusted total went up by 22,000, compared with the previous month, to 2,872m. This increase in the adjusted total was closely in line with the underlying rate of increase for the first four months of the year. This is put at 23,000 a month, compared with an underlying rate of increase of 33,000 per month in October to December last year.

Between April and May adult unemployment fell by 35,500. That was the biggest drop in a month since June 1979, when it fell by 59,000. The number of school-leavers out of work fell by 2,800 to 125,327.

Notified vacancies increased by 7,000 in May to 123,000. That was less than expected for the time of year and, on a seasonally adjusted basis, vacancies fell for the third month running. As there is some question about

the basis for this adjustment, the fall may not have much significance. However, the figures suggest that the trend of increasing vacancies, which started last August, may have run out of steam in recent months.

The unemployment figures will be swelled next month by an estimated 100,000 school-leavers, so it is likely that the unadjusted total will rise again to more than 3m.

In the period January to April, the number of people made redundant was 122,900, compared to 199,000 in the same period last year.

The total number of people covered by special employment and training schemes was 490,000 in April. It is estimated that their enrolment reduced the unemployment total by 280,000.

Regional distribution chart, Page 10

RHM hit by losses in bread price war

By John Moore, City Correspondent

A FIERCE price war in the UK bread market has led to substantial losses in the bread bakery companies of Rank Hovis McDougall, the food group whose bread brands include Mother's Pride and Nimble in addition to Hovis.

In the first six months of its current financial year, RHM bread companies are believed to have suffered losses of more than £5m as the group has fought to maintain its bread business during a dispute over price and discounting.

In the six months to March 6, the group as a whole reported yesterday pre-tax profits of £21.04m compared with £21.7m for the comparable period a year earlier. But because of the bread war, profits for the full year will be lower than last year's £45.3m.

Announcing its results, RHM said that "urgent and far-reaching plans have been put into operation to improve the profitability of our bread baking business."

It has about 30 per cent of the bread market, about the same as its chief rival, Associated British Foods, which has increased its bread production to increase profitability and reduce manufacturing costs, seven of the group's bread bakeries have been closed since September and their production concentrated into more efficient bakeries within the British Bakeries chain.

The group's Glasgow bakery is to be replaced in the next 18 months at a cost of £11.5m. At the year end, RHM was producing Mothers Pride, Windmill, Nimble, Hovis and Granary bread and other bakery products at 60 plant bakeries.

Associated British Foods said yesterday that while there has been a discount and price war, "we have not gone so far to say that it is insupportable."

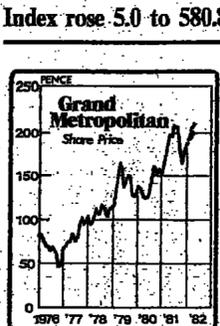
Intense competition in the UK bread market claimed one notable victim in 1978—Spillers Bakeries.

Spillers pulled out of the bread industry after six years of mounting losses. After closures, its 13 remaining bakeries were divided up between RHM and Associated British Foods.

Discount war hits RHM, Page 26

THE LEX COLUMN Grand Met's £125m hotel bill

Index rose 5.0 to 580.8



Yesterday's £125m rights issue from Grand Metropolitan was as extensively forecast as any the City has seen in recent years. After two very heavy U.S. acquisitions, Liggett and International Hotels, gross debt is hovering around £1bn and, on a capital spending budget of well over £200m for the current year, cash flow will be barely positive even without further acquisitions.

Grand Met has been easing the debt burden with a series of small disposals but an equity offering provides logical support for the delevering process. Mindful of the fact that a rights issue was heavily discounted in its share price, the group has offered the new shares at 174p, a discount of only 13.9 per cent on Monday night's price. Yesterday, the shares actually rose 7p to 209p.

The relaxed response to the fundraising was in stark contrast to Grand Met's last rights issue, also a one-for-seven, three years ago. This time the group is not seeking to flex its muscles but to provide some room for manoeuvre on its capital account after two acquisitions well liked by the City.

The amount being raised is large by recent market standards but should be easily absorbed after a slack period for equity offerings in which most of the action has been in the property sector. Institutions are exceptionally liquid at present and may consider that Grand Met is a more attractive proposition than Allied Suppliers, which is due to raise £100m.

The proceeds should reduce the net debt in Grand Met's balance sheet to between 55 and 60 per cent of net worth. Last September, it was pushing towards 80 per cent. An increase of at least 12 per cent in the final dividend has been promised and the declared interim payment has been thrown in with the new shares. The ex-rights yield is 5.9 per cent.

Index rose 5.0 to 580.8

than offset by a chunky dividend receipt. The bread price war has at least had the welcome effect of making the chairman write a special letter to his shareholders, who know a bit of discounting in, say, 6p might winkle out some mental data from this new communicative company.

But for the price war, £45m would again be a realistic target for 1981-82 but it seems unlikely that the group will make much more than £27m without higher bread prices soon. Better things are happening at RHM but so long as the discounting continues the shareholders need their 10 per cent yield at 564p.

Recovery from slump 'may not be genuine'

RECOVERY from the recent recession has been much slower than in any economic cycle for the last 25 years, says the National Institute of Economic and Social Research in its 100th Review out yesterday.

In view of the fact that the rises in output after May 1981 were followed by a fall in November and December, an unchanged level in January 1982 and a weak "bounce back" in February, the institute says: "There must be

some doubt whether the period since last spring should be considered a genuine cyclical recovery at all."

The institute says the trough of the recent recession occurred in May 1981. But nine months later industrial output had picked up by only 1.6 per cent compared with its lowest point, and was still 13.5 per cent below the last peak of activity, in May 1979.

In the five economic cycles between 1958 and 1975, the

average improvement in industrial output nine months after the trough was nearly 7 per cent.

In those nine-month periods output had on average recovered to about 3.5 per cent above its previous peak. Even in the weakest of the recoveries analysed, starting in August 1967, output had increased by 3.8 per cent after nine months.

The institute's post-budget forecast predicts continued slow

growth in output of about 1 per cent this year and next, with adult unemployment rising steadily to 3.3m by the fourth quarter of 1983.

It suggests that there will be a continued strong balance of payments surplus in spite of rather weak export performance and it believes the annual rate of inflation will fall gently to an average of 8.7 per cent in 1983.

Details Page 16

Continued from Page 1 Britain ready to use veto

Buenos Aires. This could mean saving quite a lot of lives."

At present, Labour's comments are limited to these points rather than outright opposition.

Similarly, Mr David Steel, the Liberal leader, argued in a speech yesterday that Britain should "pursue relentlessly, every possibility of a diplomatic solution." "We must not close our minds to a ceasefire and peaceful Argentine withdrawal."

Labour's divisions over the crisis were highlighted again yesterday by an editorial in London Labour Briefing, the newsletter of the hard left in the capital, which attacked the party's leadership as "totally bankrupt" and described Mr Foot as "the most pathetic and hypocritical of all."

London Labour Briefing, which claims to speak for many constituency activists, said that "many may now feel, quite justifiably, that Foot is not the right man to lead Labour into the next General Election. His role in the whole affair has been highly damaging to the Labour movement. This year's annual conference will be the last opportunity to replace him before that election and pressure is bound to come forward and challenge him for the leadership."

Many of the backers of the newsletter are supporters of Mr Tony Benn though so far he has not been willing to stand for election against the party's leader this year.

On the Tory side there are growing signs of annoyance among back benches at the Irish Government's attitude on the Falklands crisis.

Paul Ratts writes from New York: Sr Costa Mendez told the UN Security Council in New York that Sr Javier Perez de Cuellar, the UN Secretary General should again be asked to mediate in the crisis.

He was speaking at the end of the fifth day of the Security Council's emergency session on the Falklands crisis when Ireland introduced a draft resolution calling for a 72-hour ceasefire and a formal mandate to the Secretary General to renew his peace efforts. It was considered doubtful that this resolution would win the votes necessary for adoption.

BA radio offshoot sale by tender

BY RAYMOND SNODDY

PLANS are being drawn up for the sale in the next few months of International Aeradio (IAL), the profitable aviation communications and services subsidiary of British Airways. The sale is part of the airline's campaign to reduce its debt before privatisation.

Because of the embarrassment caused by the high profits for speculators out of the sale of shares in Amersham International, it has been decided that the sale of IAL shall avoid the Stock Exchange. The company will be offered instead by limited tender to a number of private companies.

S. G. Warburg, the merchant bank, has been asked to draw up a memorandum which in effect will be a prospectus on IAL. The memorandum is expected to be sent within the next four weeks to about 30 companies—in Britain, the U.S. and on the continent—which have already expressed interest in IAL.

The companies include Philips, GEC, Racal, Plessey, in Britain; Philips in the Netherlands; Siemens in West Germany and Litton Industries of the U.S., as well as some unexpected candidates, such as Grand Metropolitan and British

American Tobacco. The sale of IAL, which had a turnover in 1980 of £19.7m and pre-tax profits of £3.3m, is expected to raise between £50m and £55m for British Airways.

Widespread interest has been expressed in IAL, which has made consistent profits since foundation in 1947. The company provides airport management in a number of Third World countries, makes air traffic control systems and aeronautical maps and timetables. It is also involved in hospital management and has been expanding its presence in the U.S. through acquisition.

The company has never officially been put up for sale, but hints have been dropped in recent months, and have been picked up by prospective buyers.

A confidential report commissioned by BA from Price Waterhouse, the accountants, and which has been extensively leaked—concluded that IAL was not directly related to BA's main business and that the airline could not commit enough investment to expand IAL.

In a series of answers in the House of Commons, Mr Ian Sproat, Under-Secretary for Trade, has, over the past few

months, implied that the Government was changing its policy and might allow some profitable parts of British Airways to be sold aside from the main parts of the company.

On February 1, he said he would not rule out sale of subsidiaries at a future date. On March 29, he said he would not exclude the separate disposal of a subsidiary, if the BA board were to feel its interests best served by such a disposal.

Last year, it seemed BA would be privatised as a whole, to include such subsidiaries as IAL, British Airways Helicopters and various hotel investments.

Lawyers are working on a final draft of the S. G. Warburg memorandum. The companies which have expressed interest will first be asked if they are still interested. If so, they will receive the memorandum.

Senior management at IAL is concerned at the way in which the company's future is being decided and about who may take it over.

Other, larger privatisations, including those of the British National Oil Company and British Telecom, are planned by the Government.

Continued from Page 1 Citibank cuts prime to 16%

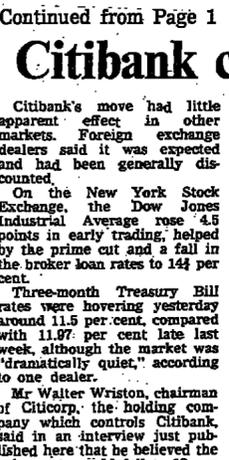
Citibank's move had little apparent effect in other markets. Foreign exchange dealers said it was expected and had been generally discounted.

On the New York Stock Exchange, the Dow Jones Industrial Average rose 4.5 points in early trading, helped by the prime cut and a fall in the broker loan rates to 14 1/2 per cent.

Three-month Treasury Bill rates were hovering yesterday around 11.5 per cent, compared with 11.97 per cent late last week, although the market was "strangely quiet," according to one dealer.

Mr Walter Wriston, chairman of Citicorp, the holding company which controls Citibank, said in an interview just published here that he believed the prime rate could fall to 12 per cent by the end of the year.

The National Association of Business Economists is not so optimistic. A poll of 400 economists carried out for the



association by the University of Michigan and released this week, predicts that the prime rate will fall to between 14 and 15 per cent by the end of the year, and drift down to around 13 per cent by the end of 1983.

Paul Taylor writes: In Europe, the dollar was generally firmer despite Citibank's prime rate cut, which had been largely expected and discounted. It was stronger against all the major European currencies finishing slightly more than 1 1/2 pence against the D-Mark in London at DM 2.3135 aided by marginally firmer Eurodollar rates. The dollar's trade weighted index in London, calculated by the Bank of England against a basket of currencies, ended the day at 113.3 against 112.9 the previous day.

The pound continued to show underlying strength improving against the major European currencies but slipping marginally against the dollar to close in London five points down on the day at \$1.8050. Its trade-weighted index improved to 89.3 from 89.6 on Monday.

Weather

UK TODAY
CLOUDY and occasional rain, becoming brighter, with thundery rain later spreading northwards.

London, S. England, Channel Isles, the Midlands, E. Anglia
Mainly dry with a few bright intervals and thundery rain later. Max 19C (66F).
S.W. England, Wales, N.W. England
Occasional rain dying out and some sunny intervals. Light winds. Max 16C (61F).
S.W. Scotland, Isle of Man, N. Ireland
Sunny intervals and heavy showers with moderate winds. Max 16C (61F).
N. and N.E. England, Borders, E. Scotland
Cloudy with rain dying out and bright intervals. Moderate winds. Max 16C (61F).
N. Scotland
Sunny intervals and heavy showers. Wind moderate or fresh. Max 13C (55F).
Outlook: Showers, some thundery, becoming dry and warmer.

WORLDWIDE

Y'day	P'v	Y'day	P'v		
°C	°F	°C	°F		
Algeria	21	70	L. Ang.†	16	61
Algiers	22	72	Paris	19	66
Amsdam	18	64	Luxor	38	100
Athens	23	73	Madrid	28	79
Bahrein	32	90	Majocco	29	77
Bangkok	21	70	Manila	25	77
Berlin	24	75	Mexico	24	75
Bombay	25	77	Moscow	19	66
Buenos Aires	15	59	Munich	16	61
Burkina Faso	19	66	Nairobi	16	61
Cardiff	17	63	Norfolk	21	70
Cebu	22	72	Osaka	12	54
Colon	22	72	Seoul	22	72
Copenhagen	19	66	Singapore	24	75
Dublin	14	57	Sofia	17	63
Edinburgh	13	55	Stockholm	12	54
Hankow	21	70	Taipei	24	75
Hong Kong	24	75	Tientsin	11	52
London	17	63	Yokohama	18	64
Lyons	18	64			
Madrid	28	79			
Manila	25	77			
Mexico	24	75			
Moscow	19	66			
Munich	16	61			
Nairobi	16	61			
Norfolk	21	70			
Osaka	12	54			
Seoul	22	72			
Singapore	24	75			
Sofia	17	63			
Stockholm	12	54			
Taipei	24	75			
Tientsin	11	52			
Yokohama	18	64			

Engineering aid scheme oversubscribed

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A STATE aid scheme launched eight weeks ago for small engineering companies is heavily oversubscribed. The Industry Department is therefore to reject further applications, from Friday evening, even though total funds available were raised yesterday from £20m to £30m.

The scheme is expected to generate orders for capital investment totalling about £90m. About 60 per cent of these is believed by the Government to be going to UK manufacturers.

The first £20m was announced at the end of March. It was part of the £130m industrial innovation package in the Budget. Ministers expected this

funding to last about a year.

Response from companies which have held back from investing in capital projects in the recession has been so great, however, that 1,000 applications received already are expected to take up the £20m.

Only 196 letters promising aid have been dispatched by the department. Almost all claims received qualify for the aid, however, as it is unlikely there is any of the £20m left.

Accordingly another £10m was announced yesterday by Mr John MacGregor, Industry Department minister responsible for small businesses. The demand is such, however, that applications covering the full £30m are likely to be received

by the weekend.

Mr MacGregor could promise in the Commons yesterday only that all eligible applications received by 5 pm on May 28 would receive an offer of assistance in due course and the scheme would then be closed for applications.

Mr Patrick Jenkin, Industry Secretary, will now be criticised by back bench MPs for not extending the scheme further.

Mr Michael Grylls (C. Surrey NW), chairman of both the Conservative back bench industry committee and of their Small Business Bureau, said a total of £100m ought to be committed so that the scheme could run for a year.

He said: "I am writing to Mr

Jenkin to say it is ludicrous to cut off this scheme in its prime. It is the first industry aid scheme to have sparked a response from industry and should not be stopped."

Under the scheme engineering companies employing fewer than 200 people can obtain a capital grant of one-third of the purchase or leasing costs of investment in certain types of high-technology capital equipment.

Up to two machines costing not less than £15,000 each but not more than £200,000 together can be obtained.

Industry ministers would have liked to have allocated more than an extra £10m, but decided they had no spare cash within the £130m innovation package.

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